"Tata Motors Limited Analyst Investor Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Tata Motors Analyst / Investor Call. As a reminder, all participant lines will be in the listen only mode. During the course of the presentation, if any participant intents to ask questions, they can use the chat-box option appearing at the bottom of the screen to submit their question to the speakers. All questions will be taken up at the end of the session. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sneha Gavankar from Tata Motors. Thank you and over to you, ma'am.

Sneha Gavankar: Thank you and good evening, everyone. On behalf of Tata Motors, I would like to welcome you all to our today's conference call and thank you for joining at short notice. Tata Motors and TPG Rise Climate have today entered into a binding agreement whereby TPG Rise Climate along with its co-investor ADQ shall invest about USD 1 billion in a subsidiary of Tata Motors that will be incorporated for undertaking Passenger Electric Vehicle Business.

To share the details of this development, we have with us from Tata Motors management, Mr. P B Balaji - Group CFO; Mr. Shailesh Chandra - President, Passenger and Electric Vehicle Business; Mr. Aasif Malbari - Vice President Finance, Passenger and Electric Vehicle Business and Mr. Dhiman Gupta - Vice President, Treasury, Investor Relations and M&A. This will be followed by Q&A, so over to you, Balaji sir.

P B Balaji: Thank you everybody for coming in at short notice, must appreciated. What we are trying to do today is to quickly run you through the business of EV, why we see potential in this business and why we are excited about it and then I quickly cover the business rationale as well as the deal structure and then happy to take any questions. Without further ado, Shailesh, can I request you to talk about the business?

Shailesh Chandra: Yes, thank you Balaji. Let me take through the first section which is around the EV industry. So, let me first take you all through the TML EV journey so far. Starting with the EV industry growth, we have seen that in the past few years, the industry has been growing at the rate of 1.5x to 2x every year since FY17 and this year we are expecting the industry to grow by 2.5x to 2.7x and what is really driving this steep growth is the favorable government incentives which is not only the central government FAME II program, but also the state government incentives which is a top up to the demand incentives being extended by the central government. The second reason is the launch of more credible practical and aspirational mainstream EVs like Nexon and the customers talking very positive about their experience which is really enabling the other customers to start considering electric vehicle. Also, we have been seeing that the ICE vehicle prices have increased since the BS-VI implementation and it continues to increase with every emission norm change and introduction of safety norms and because of the steep increase in the fuel prices also and the inherent benefits that electric vehicles have as far as running cost is concerned, it is also kind of creating a pull from a consumer perspective to consider electric vehicles.

I hope you were able to see the earlier slides, but this is the growth that we have achieved in the market share, this is Slide #6. So, if you see the market share growth, we started with a 11% market share in FY18, when we had just one product which was the Tigor EV meant for the fleet segment, government fleet and since then we have been launching new products like Nexon EV in the personal segment and since then with the success of Nexon EV, the market share has increased to 71% and you are also seeing the steep growth in volumes that we have seen, but this actually is limited to the supplies. The real potential is really seen in the right side which shows the growth potential of EVs, the dark blue line shows the cumulative bookings that we have been receiving and the gray line is showing what we have been able to retain because of the lack of supplies. So, there is a very steep increase that we are seeing in the demand, but we are fast trying to ramp up and catch up on the supply side versus the demand.

I would talk about going forward what is really going to drive the EV industry. Two big factors, one is the government incentives, we have seen 11 state governments coming with very progressive EV policies which is, as I said is topping up the demand incentives versus what is already available from the central government incentives. Then the PLI scheme which is focused on advanced cell chemistries as well as the PLI for auto is focused on EVs, so both these in combination is going to reiterate the adoption of EVs. The other demand drivers that we see is one, the stringent emission norms from 2022 April, we are going to see the introduction of CAFE which will drive all the OEMs move towards electric vehicles to offset the emissions coming out of the ICE, so that itself will create some push factor. The Total Cost of Ownership is seeing parity with respect to the ICE, powertrains like petrol and diesel and from next year onwards, you would see the parity even in the personal segment and this basically would be the tipping point in terms of driving the adoption of electric vehicles. Also, you have better customer options as OEMs are introducing long range EVs, range anxiety has been one of the key bottlenecks or barriers to adoption of electric vehicles and in the coming years, we are seeing manufacturer like us going for high range products as compared to the medium range products that we get today, so all these factors in combination is going to really provide a very exponential growth in the future.

How Tata Motors is planning to lead the charge in this space on the back of this opportunity, as far as product is concerned, we have planned for introducing 10 electric vehicles by FY26 in the next 5 years which would be in different body styles, in different price points from affordable EVs to EVs with higher range, more sophisticated technologies and on the sales and marketing side, we are also going to increase the micro markets where we are present today as you saw that today we are present in 60 cities, but we will continue to expand every year into more cities, also as we are introducing more electric vehicles and different models.

Also, awareness creation has been seen as the key enabler to drive the adoption of electric vehicles. We have been doing that for last 2 to 3 years and as we opened the new micro markets, we will keep focusing on awareness creation. Also, we are coming with more options to access the EVs through subscription model which will allow those customers who are still vary to adopt the new technology an option to go for a 12-month or a 24-month subscription. Capability building, we are driving deeper localization, strictly following the phase manufacturing plan as laid down in the same requirement, but now on, going forward we are also going to go beyond that and go for deeper localization focusing also on the localization of child parts and of course building the center of competence. Ecosystem has been the biggest enabler in driving adoption and this is one clear advantage that Tata Motors has by tapping the group companies who have domain expertise in different area of ecosystem whether we talk about charging infra or cell manufacturing or different financial solution, so this is also what we are going to extensively leverage going forward. So, this is how we plan to really proactively win in the EV space. Over to you, Balaji.

P B Balaji: Thanks, Shailesh. What I'll try to talk about - the business rationale and how does it all come together. If you recollect that in March 2020, the Board had approved the proposal to actually subsidiarize the PV business and which we are confirming that by 1st of January next year, that will be fully operational and that is done with a focus to actually to ensure that we are able to drive a differentiated focus between CV and PV. At the same time, we would want to unlock the business for value and see if we are able to get the partners to work with us on this area and drive operational flexibility. It also improves the ability of TML to reward its shareholders and that is the purpose which is currently being executed.

Along with that if I look at the PV strategy which we have been consistently maintaining, the PV strategy is to win sustainably and with that in mind we had called out in our investor day as well that we definitely want to go after a double-digit market share which we are happy to confirm, we are there, high single digit EBITDA, which is still a journey, we are progressing well and we want to be FCF positive by FY23 which again we are progressing well. And for this actions that we have put in place was to reimagine PV, the front end execution, the whole slew of products under Forever New, the full portfolio being refreshed and is doing very well for us, leverage the Alpha and Omega architectures, we have the Altroz launched on Alpha and now the next product coming in which is Punch, just launching as well speak and on Omega, we had first the Harrier and then we had the Safari coming in thereafter, so we would want to leverage these architectures more and more and existing assets are being really juiced to the limit. Look at the factories, the production capacities, everything is being driven hard with very careful investment choices that we have made, all in the spirit of to win sustainably.

Moving onto EV, we started on fledgling unit and then we had very clear as we started experimenting, starting to understand it and starting to see the consumer react to it, very clearly, we want to lead the charge in the Indian EV market there and as a reason, the strategy was to win proactively and here the actions are very dramatically different to the PVs. We want to introduce 10 new EVs, catalyze the charging infrastructure, invest proactively in drive trains, products, platforms and the like. So, there is a very inherent dichotomy between these two and that is the reason I look at implications for it. When we look forward and say that this is the kind of potential in this country, we will need to really invest and EV will require at least to begin up investments, 16,000 crores plus kind of investments will be needed over the next 5 years and PV will definitely be fund constrained to support this aggressive EV aspirations and therefore the need to continue to and we are also clear that we need to continue to invest in EV in order to build momentum and retain the competitive advantage and lastly, with equally importantly, EV technologies are still evolving and hence they are risky inherently. If this is the implication that we have, then the way we have to look at this business and the investor pool that we look at is going to be different, but this is the huge advantage going for EV, that it has got a very clear net zero emissions as of fundamental call to it, which is fabulous and therefore we can then use this potential of the EV business to tap into a different segment of investors who are focused on the long-term, who are focused on the carbon free world and who have a very different outlook, the investments in this space and there is therefore potential to unlock significant value at the same time, fund our growth aspirations in this business and take the lead and move in the Indian automobile industry to a carbon free world. So, this fits in very well even with our sustainability aspirations as well.

With that in mind, there are three co-aspects of Helios. This is the project name for this transaction. First, create a pure play EV company to focus on passenger mobility. This will be created as an asset light subsidiary of Tata Motors, will house all the dedicated EV talent and design capabilities of TML and we will really aim to attract top notch global talent into this particular company. Second, we will want to step up the investments in EV and related technologies to greater than 2 billion over the next 5 years. That we had already talked about. Third, we will want to leverage the existing PV assets and investments to drive efficiencies as well as drive speed to market because this we need to ensure that we stay ahead of the curve on this one and the PV company will therefore be a toll manufacturer, we will provide all the services to EV company to make it stand up on its feet and fourth, onboard likeminded investors who will be able to provide us capital, access to the global ecosystem if they have already invested it and unlock value and most importantly this external scrutiny of an external investor will always ensure that we are on notice and will really sharpen our delivery focus. So, those are the key aspects of Helios. So, this is the transaction structure - slide number 12 where the PVCo will become a 100% subsidiary of Tata Motors in January 1st, the EVCo, the new company, we have not yet named it, we will name in fact find a good name for it in due course, will focus squarely on the future EV products, will build and own the future IPs of EV and we will also catalyze the creation of the charging infrastructure in the country and the external investors will take 11% to 15% in the Company and we have Tata Motors Listed Company having the ownership of 85-89% in this company and also these two companies will pool the CAFE credits so that now that we have taken EV out of the PV company and put it out there in terms of all the revenues, etc., this will require carbon credits in the future, so that will be a pooling arrangement that we will be putting in place. And this is where we are delighted to share with you the TPG Rise Climate which is a new fund of TPG Rise will be investing a billion dollar at a valuation of up to 9.1 billion and this process obviously involved a selective outreach to marquee investors over the last two months and that has now reached to conclusion now and TPG Rise Climate will be the lead investor and they are 7 billion fund with the focus on investing in companies that enable carbon reduction in a quantifiable way and ADQ will be the co-investor.

What are the key terms of the deal, it is $1 billion equity funding, where TPG Rise with a commitment of Rs. 7500 crores, $1 billion. 50% of this will come by March 22 subject to post conditions being met and also post set up of the EV company, one of the conditions prevalent as well and the balance 50% will come by Q3 FY22 on achieving Go-Live actions. Basically, the

EV company needs set of the whole IT system and everything in order to be able to recognize revenue in that. So, we were expecting by Q3 FY22 that will be done and therefore we can go live thereafter and the next tranche will come in as well. The instrument is CCPS structure and it converts into ordinary equity share in the EV company basis achieving revenue thresholds, so the only constraint there is achieving revenue thresholds. The valuation will be up to 9.1 billion and depending on, the ratchet moves from 11% to 15%, the maximum that TPG Rise stake in the company would be 15% and minimum would be 11%, so that is how this will be working on and these are all on a post-money basis. So, that is what we have to say that is additional material in the deck for you in terms of references on what are the drivers to growth, why is Tata Motors EV has been doing well. That is available for you to read. I don't want to spend time on that, happy to take any questions that you may have.

Sneha Gavankar: Sir, the first question is from Jinesh Gandhi. He has asked quite a few questions. Maybe I will read them out. The investment plan of USD 2 billion would require further investments, possibly for the dilution in Tata Motors stake in EV business?, EV investment plan talks about investing in charging infra, does it mean that the EV business would invest independently of Tata power for charging infra? What level of EV penetration do you estimate in series by FY25-FY30? Sir, maybe you can take these three questions and there are other three?

P B Balaji: Yes, so the first question Sneha was on, firstly I think this > $2 billion of investment is over a 5-year period and therefore there is also business cash flows that is out there and therefore we will look at it at an appropriate time in terms of further fund rise if we need to do. So, currently, there is no plan for fund rise at this point in time, just Rs.7500 crores that is coming in will serve as well in the coming years, to take all actions that we need to do, so we are there, one. Two, with respect to charging infrastructure, if you notice the asset catalyzing charging infrastructure, we have not yet had any conversation with Tata Power in terms of what structure that we need to put in place if at all. So, that is something that we work with them in the coming days to ensure there is a mutually satisfying outcome that comes out. So, this is basically being reserved here in terms of investments that we need to do, we are very happy to do it and we want to invest co-investors and we are happy to do it. If they want to take the lead in investments, we will be happy that way. So, any option is out there. All options are open, but what we have basically, the spirit with which we have done this deal is that nothing should come in the way of realizing the ambition that we have set for ourselves in the EV world and therefore if it needs any investment in charging infra, we will go ahead and do it. That is how we have looked at it.

Sneha Gavankar: The next question sir, I will take maybe two, what level of EV penetration do you estimate in PV's by FY25-FY30? And can you give a flavor of the current revenues, EBITDA, PAT for the EV business?

Shailesh Chandra: So, let me answer the first question and I will talk first about the industry in the next 5 years we are anticipating a double digit penetration as far as the Indian market is concerned. For Tata Motors, we have specifically taken a target of penetration of 20% plus with the 10 products that we are planning to launch in the next 5 years. So, that is the answer to the first question. On the revenue, currently if you notice we are selling about 1000 vehicles plus every month and overall, the revenues in the region of about Rs. 500-600 crores and we aim to hit an EBITDA breakeven in this business next year and obviously, since it is a focused investment, we are obviously intent to invest, move into an investment phase by the next 3-4 years and then subsequently, we expect those business should expect to grow cash positive there onwards.

Sneha Gavankar: By when would the entire cash come into the company and Is the investment of INR75b linked to any milestone or how it would be done over 18 months from the first tranche?

P B Balaji: The cash as I said in my presentation as well will come in two tranches. First tranche expected by March 2022 once we conclude the transaction and the second tranche will come in by end of the next calendar year by which time, we should be able to get all our internal IT systems running to start recognizing revenue in the new company which we are creating. The receipt of Rs. 7500 crores other than these two, there is no other constraints, so we will receive the full Rs. 7500 crores. The performance obligation go into the stake that is there which could move from 11% to 15%, so the 9.1 billion, that is why I called out that up to $9.1 billion is basically a 11% of the 1 billion that is out there, so that is how the calculation works.

Sneha Gavankar: The next question is from Pramod Amte from Incred Capital. What are the terms of interest rates till conversion and the timeline for first conversion and last conversion? What is the investment till date in EV car specific projects?

P B Balaji: Sneha, coupon rate on the CCPS are very nominal, nothing to write from above. As far as conversion itself, the whole thing is by FY27 is when as per the contract there is a conversion and in case there is any capital raise and thresholds, then there is a possibility of post conversion, but those are details, most of it is confidential, I wouldn't want to get into that.

Sneha Gavankar: What is the investment till date in EV car specific projects and what is the exit route plan for new investments in EV car venture?

P B Balaji: I think the investment as I said earlier is close to about 16,000 crores is the kind of investments are going into the new EVCo and as far as exit options are there, all options are available for the investor right from Tata Motors, buying them out to third party investor, we find a third-party investor for them or we swap it into Tata Motors or we merge it into Tata Motors or we IPO it out so all options are available for us. It is a pretty flexible option structure that is there. We work together with them and make it happen.

Sneha Gavankar: Is the plan for finding a partner in the car division complete with this transaction or would you be still looking for a conventional car partner?

P B Balaji: Currently, it is fair to say that is not in the front burner, but that doesn't mean we are not open to conversations and we now have to land this deal and take off on EV, so that is what our focus would be at this point in time, but we are not saying no to anybody who is interested in working with us.

Sneha Gavankar: The next question sir is from Sonal Gupta from L&T Mutual Fund. He says hi.. many congratulations to Tata Motors on their deal. Given that you have announced 2 billion plus investment in EVs under this company, will Tata Motors also infuse any capital or will that be raised from other investors at a later date?

P B Balaji: I think firstly if you notice we are incorporating the company from Tata Motors from where this dilution is happening and therefore we do not see a need for any further capital to come in from Tata Motors, instead, what is actually happening is a full access to the full PV ecosystem in terms of factories, in terms of sales points, management bandwidth, design, all that is going out, their brand, name plate, everything, so therefore we are actually wanting to use everything that has happened in Tata Motors and gives EV its full support to ensure that it is able to take off. That is how this deal is being constructed.

Sneha Gavankar: Other than product and platform development, are there any other areas where EVCo will invest R&D and build IP around it?

P B Balaji: Shailesh, do you want to take that?

Shailesh Chandra: Yes, so the IPs will be built primarily around products that is for sure and there will be additional capacities which will be needed to meet the aspirational numbers that we have set for ourselves. These would be the two primary areas which I said and of course since there will be localization of components, etc., this will be another area and if there is a need as Balaji said for charging infra as we need to invest to meet our aspiration that is something which we will discuss with Tata Power and that can also be one potential area if we have to really accelerate things.

Sneha Gavankar: Next question is from Raghu from Emkay. His question is, how was the pre-money valuation, 8.1 billion arrived at?

P B Balaji: I think EV valuations globally work on a different logic and we had Morgan Stanley and JP Morgan as our advisors and we had put the overall business plan in front of them and of course there was a view in terms of what could be the kind of valuation that is there, so comparable multiples have been used. And if you look at this valuation, if you look at the EV place in East Asia or EV place in US I think we compare pretty favorably to the East Asian peers who are out there and with respect to the US peer obviously those are premium OEMs, so therefore it is not strictly comparable, but our all competitive East Asian peers, we are quite comfortable with the way it is played out. It is comparable there.

Sneha Gavankar: The next question is from Kapil Singh of Nomura. Can you please talk about the key terms and conditions of this investment? What is the range of valuation depend on this, we just covered that and how will the remaining amount be raised as we plan to invest USD 2 billion? Will the India PV business earn any manufacturing fee?

P B Balaji: Let me take a whilst just go through the first piece, which is the ratchet 11% to 15%. That is completely dependent on revenue realization by FY27 and obviously the numbers, I am not in a position to share, but it is totally linked to only revenue realizations and we are pretty confident of achieving those, one. Two, with respect, there will be three transaction agreements that the EVCo will enter with. Number one, with PVCo for a tolling arrangement to get access to manufacturing, so that PVCo will toll manufacture the cars that are there for EVCo. That is contract one and that will all be arm's length standard related party transaction that are there, one. Second transaction will enter into would be royalty and an IP agreement. In order to access all the brands and name plates, for example, the Nexon brand, the Tigor brand, the Harrier brand, all of them will be available in terms of everything even the Punch that is just getting launched, when that becomes EV that is also available for the new company to draw into. So, therefore, that will be the second agreement that we have gone into and that again will be standard related party transactions and clear on that. That is the second one. Third one will be very normal shared services agreement for getting all the shared services from Tata Motors, Tata Motors PV in order to ensure that we don't do traditional things like accounting, pay role, all that will be available for that. So, they can get started fast. The spirit of this contract is to get EV out and running very fast. So, they will not wait any time doing what others have already done. They will take it on an indefinite license or they will take it on a RPT basis and move, so that is the way that structure is being done. What was the next question?

Sneha Gavankar: Will the India PV business earn any manufacturing fee?

P B Balaji: Yes, for the tolling arrangements there will be fee to pay for the PV Company. For use of the brand and IPs, there will be royalty and IP agreement for which there will be a fee that will be going in and those are standard RPT transaction that are there and it is only to be to the extent of what they have used. If EV today creates a new brand, EV creates a new IP, they won't be paying for that on this PV company. So, actually, very straight forward simple arrangement, there is nothing complicated in that, actually even nothing interesting in that also.

Sneha Gavankar: Next question is from Gunjan from Bank of America. Can you talk about the bankend supply chain in terms of battery cell tie-up and what is the penetration that you expect in the next 5 years or so?

P B Balaji: Next 5 years, I already answered this question a while back. From an industry perspective, the EV industry in India is expected to be in the early double-digit penetration as what we expect. From a Tata Motors perspective, we are aspiring to be 20% plus. As far as batteries are concerned, right now, we have already localized the backend module in India and this is being supplied to us by TACO. Going forward, as far as cell manufacturing is concerned, it is something also which is under consideration by the Tata Group and that decision will be taken. If that is the case, then we will source it locally and as of now, we have arrangements with some of the international cell company to give cells to TACO who in turn converts that into battery pack and gives it to us. There is no exclusive cell manufacturer whom we have tied up with as of now.

Sneha Gavankar: Next question from Binay Singh of Morgan Stanley, what are the revenue thresholds for conversion to equity and what are your EV targets in volumes and revenues?

P B Balaji: As I said earlier, I won't be in a position to share that. That is confidential for obvious reasons. All I can say is that we are pretty confident that we will get them and therefore it is our aim to max out the valuation, 9.1 billion and 11% that is what we are running after and that is what even TPG Rise is running after. So, therefore, both of us are aligned.

Sneha Gavankar: Next question sir is from Pramod Kumar of UBS. How many of the upcoming 7 EV launches will be born electric and related to that what will be the launch pipeline for the ICE portfolio?

P B Balaji: Within the next 7 products, we would definitely be considering a dedicated born electric EV, but it is too premature to talk about it at this stage. We will talk about it closer to the date, but it is definitely under consideration and in the plan. In the interim, we are also going to tap into the multi-energy platform architecture which I talked about in my presentation which enables the current modern architectures in the PV side which will be more electric ready, enabling it to house more batteries and therefore higher range. So, this is something which will be the next generation after the conversion products that we are doing, but in the next 7 products we are also considering the born EVs also.

Sneha Gavankar: How crucial is sustained higher government subsidies for meaningful EV adoption and what would be the likely price increase for the consumer, its subsidies were to expire?

Shailesh Chandra: Its subsidy is going to be important for the next few years, but this will be important as the battery prices are at a certain level. Going forward, in the next 2 to 3 years, the battery prices are also rapidly coming down and there is a localization initiative also that we are running. So, the reduction on the cost that we are going to see will completely offset the need for any subsidy, so even if subsidies are going to go away, it will not take away in any manner, the penetration levels that one is thinking off from EV industry in India as well as from Tata Motors ambition of achieving 20%. So, even if subsidy goes away in the next 2 to 3 years, it should not impact because by that time, the cost structure would have come down significantly.

Sneha Gavankar: The next question is from Prateek Poddar from Nippon India Mutual Fund. With USD 1 billion of funding, can we expect capital intensity in this standalone business to reduce going forward and will the EV company eventually be demerged for value creation?

P B Balaji: As far as capital intensity in the PV business is concerned, I refer back to strategy, we are very clear we want to win sustainably, we are very clear we want to be cash positive, so that strategy continues. There is no change as far as that is concerned and we will definitely invest to ensure that we want to continue to grow that business. That business is not being left. That business is being invested prudently. The reason why the EV investment is actually want to step up our aspirations and therefore we want to drive investments there. That is the reason Helios is being done. As far as destination, what happens is that time will tell, as the channel puts it nicely, we feel the stones in the water and then we will figure out where we go. This is the first step which we are taking and we believe it is a step in the right direction and where will it take us, time will tell.

Sneha Gavankar: The next question is from Chirag Shah of Edelweiss. Based on business plan and say everything goes as per plan, by when the CCPS converts into equity and what are the key areas that you are looking to spend in the EV space?

P B Balaji: I think the later part of the question, I have already answered, therefore I will skip that. As far as CCPS conversion is concerned, there are two thresholds. One is, FY27, depending on the revenue that we achieve on that particular period, there is floor of 11 and a cap of 15% as far as stake is concerned. That is the way in which it will convert, one. Two, the other angle is that there is, if for any reason Tata Motors does a fund rise, primary or secondary and that needs certain thresholds, then there will also be a post conversion on that basis. So, those are the two events and that can happen earlier than that and therefore which form it take we will see, but those are the two things there.

Sneha Gavankar: The next question is from Satyam Thakur of Credit Suisse. What are the underlying EV volume estimates by years that we have gone with based on which the valuation was based and whether electric buses and LCVs will remain separate from this new entity?

P B Balaji: The first question, I am not in a position to answer. All we are saying is that we would like to, there is an internal plan that we are working towards which we believe is aspirational and we and TPG really believes that this is the kind of aggression that we need to go in with and that's how we are putting our steps jointly together on that one. As far as EV buses are concerned, that is outside the perimeter and just one piece there, the LCVs, buses, they all are outside the perimeter. If for any reason, there is a technology that EV Company develops which the commercial vehicle business wants to pick up, because it makes sense for that what has already been created, then that of course is something that they will be license fee and take that. That is as per any normal OEM IP transaction that will be happening. That is all it is.

Sneha Gavankar: Next question is from Ronak Sarda from Systematix. What kind of assets and liabilities will move into the subsidiary? The presentation talk of an asset light model, how does that work and will the subsidiary be eligible for PLI scheme?

P B Balaji: One is, for asset and liabilities are concerned, no asset, no liability moves from Tata Motors PVCo into EVCo, it is an asset light company. PLI scheme is something that has been announced. We welcome the scheme. We will approach this as Tata Motors Group because that gives us more degrees of freedom and the payoff obviously happens for electric vehicle in passenger vehicles and commercial vehicle and therefore, we will take the pay off and those were those threshold investments includes ICE and therefore it makes sense for us to go as a Tata Motors Group to invest in that. As far as Battery PLI is concerned that is another one those are on advanced chemistries. That is a separate discussion and Tata Motors participates in that, but we will look at it as a Tata Group and see what is the best way to leverage that particular opportunity, but for the automobile, advanced technology piece there, we will go as Tata Motors Group and EV Company will have a significant pay off that will come into it going forward.

Sneha Gavankar: The next question is from Nitin Arora of Axis Mutual Fund. What is the total requirement for launching 10 EVs and would this fund rising be sufficient?

Shailesh Chandra: Yes, I think the estimation of the investment size needed and we already spoke about it. It is not only in the area of product manufacturing, etc. We have sized the need for the launch of 10 products and this is the basis on which we have called for this kind of an investment. So, it is absolutely taken care off.

Sneha Gavankar: The next question is from Rajesh Aynor. What would be the CAPEX plan for next 5 years and how much of it will be on product development?

P B Balaji: Maybe you missed that piece there, that is what we said, at least 2.2 billion of CAPEX we will be putting in the next 5 years. We wouldn't be in a position to split it up between each of those for obvious reasons.

Sneha Gavankar: We have another question from Jinesh of Motilal Oswal. What are the level of minimum revenue threshold we will build in for and what happens if those revenue thresholds are not met?

P B Balaji: As I said earlier, the cap of stake the TPG Rise will be able to pick up in the EV Company is a max of 15% and a minimum of 11%, so therefore those are floor and cap and therefore the revenue thresholds will move within that and if for any reasons we do not meet the revenue threshold, then the stake caps out at 15% and for any reason we dramatically exceed the revenue thresholds and therefore then the minimum stake they will have at 11%. So, the valuation obviously caps out on that basis of this transaction.

Sneha Gavankar: Sir, next question is from again Satyam from Credit Suisse. How does profitability of the EV business compared to that of our ICE PV business at broad and EBITDA level and what scale do you envisage it would be necessary for breakeven?

P B Balaji: At this point in time, we are pretty confident that the EV business will get an EBITDA breakeven next year. Its contribution margins are similar to what we are seeing in the PV business already and therefore we are confident we hit an EBITDA breakeven next year and take off.

Sneha Gavankar: Next question from Nitij from Jefferies. Would you be able to share some details on your EV plan for coming year, for example, what platforms and products, say in the next 2 or 3 years as you walk the path through 10 EVs and how do you decide what is the right pace of investment in EV since it is a very nascent industry?

Shailesh Chandra: In one of the earlier questions, I had tried to answer this, but let me just once again answer that. So, we are starting with the Gen-1 products which are focused on pure conversion which means that we are picking up ICE product and removing the ICE powertrain and packing the electric powertrain within the space which is there and the limitation that you have is the range and you can't go for high-range products. Therefore the generation 2 which I talked about, the multi-energy platform where we are adapting some of the modern architectures that we have like Alpha into a more electric ready platform which helps in housing more battery and therefore delivering high range product and giving more body signs at different price points, so this enables us to tap the next level of demand as far as electric vehicles are concerned and then the third generation would more start shifting towards the born EVs. This is how will be the sequence in which different levels of electrification in our products are going to come and all the architectures are going to shift from pure conversion to adapted platform to born electric. This is how we are planning to go about.

Sneha Gavankar: Sanjay Chawla from Emkay. How much of the current fixed cost from Tata Motors, PV or the standalone entity would get transferred to the EV Company?

P B Balaji: As we said earlier, the dedicated EV engineers are the ones that will get shifted to that. That cost is anyway sitting within Tata Motors today and this numbers are all going to get consolidated within Tata Motors, so therefore there is no delta cost coming in because of that and we have been very careful that we leverage everything that is already there in TML to make this happen, so there is no duplication of cost coming in and therefore, I would rather look at this as transferring the requisite talent into EV and getting focused work around EV. That is how we are looking at it. So, there is neither any cost savings, there is no restructuring, nothing in this. It is a growth initiative that we are on, invest and grow. That is how we are looking at it.

Sneha Gavankar: And sir, maybe we have time for one last question, it is from Nishit from Axis Capital. Does TPG bring in any additional technical capabilities apart from the USD 1 billion investment into the company and how do you look at working on new ICE platforms for PVs? Will the company look to do this or will the focus be exclusively on PVs in India?

P B Balaji: Let me split the question into two. As far as TPG Rise is concerned, I think there are huge network of highly valuable inputs that they will able to provide in terms of technologies, references, connections, ecosystem, so we very carefully work with them, so that we are able to plug into that ecosystem there. That is the big benefit that is coming. That is intangible for all practical purposes, but it is going to be a big one. Second also, we are really keen, they will have a board sit, they will come on to the board of the EVCo and we do expect their valuable contribution in shaping the strategy and also more importantly ensuring there is adequate scrutiny in the EV plans, so those are really valuable stuff that we are expecting and I am sure we will work very well with them on that front. Your question on PV platforms, as I said earlier, there is no change as far as PV strategy is concerned because we believe India will still have a pretty sizable ICE portfolio, ICE market that will be out there and we will want to have our fair share in that particular market. So, whatever that business needs, only thing its strategy is different from EV, so that again, I reiterate the point that has to be winning sustainably, therefore they will have to ensure that they deliver their cash flows and ensure that they live within the knee while PV is all about pushing it all out there and going full blast. That is the difference, but nothing is going to stop PV from investing and as we speak, we are saying PV will go cash positive from FY23 onwards. It is after considering the investment that is needed for making it. So, it is all lights are green as far as PV is concerned on their growth road map and investment road map.

Sneha Gavankar: I think with that sir, we can conclude on the Q&A. If there are any, you can have any closing remark, sir.

P B Balaji: Sure, firstly thanks everybody for joining at short notice. Sincere apologies for the technical glitch. We had zero notice, we couldn't obviously for obvious reasons prepare for this particular call, we have to go on the fly, but I do apologize for the quality of the audio and the break-in, break-offs that were happening. We will do a better job next time on that particular front and thank you for joining the session and appreciate your continued support. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Tata Motors Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.