

Chairman's message



Mr N Chandrasekaran
Chairman & Non-Executive Director

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Dear Shareholders,

It is my privilege to write to you and present the Annual Report for FY 2018-19.

The global automotive industry is witnessing disruptive innovations. The technological changes are leading to new products and business models including shared mobility, autonomous and connected vehicles. Concerns about sustainability are leading the governments across the world to push for reduction in their carbon footprint, encouraging the adoption of EVs. These changes, coupled with the geo-political trade situation, uncertainty around BREXIT and the slowdown in China have led to a period of uncertainty for the global auto industry.

In the Indian context, the automotive industry is expected to emerge as the world's third largest PV market by 2021, driven by the underlying economic growth, increasing consumption demand and mass urbanisation. However, in the short to medium term, the sector faces some challenges due to the ongoing credit crunch, low consumer spending and the transition from BS IV to BS VI emission norms by April 1, 2020. The growth in the CV market is likely to pick up, driven by increased infrastructure spending, growth of new-age industries like e-commerce and further progress in the hub-and-spoke model of distribution.

In this backdrop, I would like to share with you the performance, status and future direction of your Company.

Tata Motors Limited (TML - India)

At TML – India, we had announced a 'Turnaround' programme in July 2017. Since then, your Company has undertaken a series of comprehensive steps to address different aspects of the business. I am happy to share with you that the result of these initiatives has been visible in your Company's strong operational and financial performance.

In the CV segment, which is the backbone of the domestic business, the Company has maintained its leadership position in the industry with a 45.1% market share in FY 2018-19. The business delivered a 17.2% volume growth compared to the previous year. This is a strong performance, in the background of a weaker second half of the year, driven by increased axle load norms, liquidity crunch and lower demand.

In the PV segment, your Company delivered a credible performance by growing its volumes at 13.9% compared to the industry growth rate of 2.8% in FY 2018-19 and achieved the highest unit sales and market share over the past five years. Your Company launched a portfolio of successful products including Nexon, which is the only car in India with a '5-star' safety rating from GNCAP and the second most selling SUV in India.

We need to transform ourselves to be relevant in the world of future mobility. This will require us to form partnerships, develop mobility solutions and optimise our investment in the process.

Tata Harrier was launched in January 2019 to an overwhelmingly positive customer reaction.

While your Company continues to make significant progress, by no means is the work done. In the CV segment, your Company needs to grow and secure sustainable cash flows from the business and ensure smooth transition to BS VI emission norms. In the PV segment, your Company needs to enhance its sales and service offering which is key to growth in volumes as well as execute its plan to achieve profitability at Profit Before Tax (PBT) level.

In EVs, your Company's strong belief is that this is a necessary initiative for India. Your Company is committed to take the lead in this transition and work with other companies in the Tata ecosystem to help create a viable environment to drive the adoption of EVs. However, this transition has to be well planned. The Government and the industry need to work together to ensure that a suitable ecosystem is developed, incentives are provided to stimulate demand and sustainability goals are achieved by implementing emission norms across the value chain.

Jaguar Land Rover (JLR)

JLR is making significant investments to develop next-generation products. Over the past year, it has continued to develop award-winning products that combine outstanding performance, quality and technology. The all-electric Jaguar I-Pace has been awarded the 2019 World Car of the Year, 2019 World Car Design of the Year and the 2019 World Green Car, being the first car ever to win three World Car titles, along with being awarded the Car of the Year at the European Car of the Year Awards 2019. This is a gratifying testament for the superior next-generation car portfolio of JLR.

From an operational performance perspective, the last twelve months have been challenging for JLR. These have resulted

in the business reporting a revenue decline this year and an operating loss. JLR's sales from China declined by 34.1% this year compared to the previous year. It faced headwinds from external factors including slowdown of sales in China and Europe, along with internal factors of high fixed cost structures, dealer network profitability and high investment leading to cash outflows.

JLR is taking steps to cut costs while taking a calibrated approach towards future investment in the product portfolio. It is actively looking at partnerships and prioritising its investments while ensuring that it is not compromising its future. These are critical interventions and JLR is committed to deliver cost and cash improvements.

The next few years are going to be decisive for our Company. We have to focus on strong operational excellence to deliver positive cashflows while making the right investments to be prepared for the future. We need to transform ourselves to be relevant in the world of future mobility. This will require us to form partnerships, develop mobility solutions and optimise our investment in the process.

I am aware that it has not been an easy journey and I would like to thank our employees, management team, dealers, customers, suppliers and all other stakeholders for their hard work and commitment at this important time of the Company's journey.

I would also like to thank you for your continued trust, confidence and support as we turn this business around and deliver the results that we all look forward to.

Best Regards,

N Chandrasekaran

Mumbai, May 20, 2019