

Chairman's Message

Charting a disciplined path for the future



Mr. N Chandrasekaran
Chairman and
Non-executive Director

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Dear Shareholders,

The year gone by: The previous year has been amongst the most challenging to-date, with the COVID-19 pandemic causing a scale of suffering that is hard to comprehend. In some parts of the world, including India, the situation has deteriorated further in recent months.

The swiftness and intensity of the second and third waves have overwhelmed health systems, devastated lives and livelihoods. It is a health crisis of the kind we have not seen in generations. My heart goes out to everyone out there who has suffered the loss of loved ones. Given the scientific progress we have made over the past year, I am confident we will eventually get the pandemic under control. Until then, I urge you to stay safe, follow Covid discipline, and get vaccinated if you are eligible.

For your Company Tata Motors too, it was a challenging year. The pandemic resulted in muted consumer demand along with disruptions in production, supply chain and retail networks. I mentioned in my last year's report that against this volatile backdrop, your Company is charting out a disciplined path towards a robust and resilient future. Accordingly, the Company's key focus areas were:- securing the safety of our people; the viability of the ecosystem; and securing the health of the business through a laser focus on cash flows. This helped us navigate the crisis well. Gradually, as demand started coming back from the second quarter of last year, the company swiftly shifted gear, significantly ratcheted up capacities, moved fast to serve customer demand and ended the year on a strong note.

The resilient performance of the company is reflected in the business improving its EBIT margins by 260bps to ₹ 6,471crore and Auto Free Cash Flows of ₹ 5,317crore despite its volumes declining by 10.3% to 902,648 units and revenues declining by 4% to ₹ 2,49,795crore.

India business: The domestic business of Tata Motors scaled up capacity by proactively addressing several supply chain bottlenecks while maintaining the health, safety, and wellbeing of our employees as well as the supporting ecosystem. As a result, the domestic business grew volumes by 2%, revenues by 7% and improved its EBIT margins by 370bps with a strong cash flow of ₹ 2,730crore.

Our Passenger Vehicles segment was the standout performer during the year. The shift to personal mobility and preference for our 'New Forever' range of cars and SUVs led to the PV business recording its highest ever annual sales in 8 years and growing its market share to 8.2%. The "Reimagine PV" strategy to rejuvenate front-end sales and the retailer network network as well as customer engagement, has delivered excellent results. Within this, the performance of the EV business is noteworthy. We strengthened our market leadership to 71.4% led by sales of more than 4000 Nexon EV units since its launch last year.

The CV business posted sequential quarter on quarter growth on the back of improved consumer sentiment, buoyancy in E-Commerce, firming freight rates and higher infrastructure demand. The new BS VI range of vehicles have been well accepted in the market. We continue to improve our market shares in M&HCV to 58.1% (+410 bps vs FY 18), ILCV 45.9% (+90bps vs FY 18). Disappointingly, our SCV market shares was 37.5%, losing 250bps vs FY 18. We are committed to get back to winning in this segment and are taking concerted actions on



this front. The launch of Tata Intra, Yodha BS VI, Ace Petrol are steps in this direction.

JLR: Jaguar Land Rover also delivered a resilient performance during the year. Despite a 14% drop in revenue to £19.7billion, the business improved its EBIT margins by 250bps to 2.6% and generated positive free cash flows of £185m. Retail sales declined 14% for the year with China being the exception growing at a strong 23%. The all new Land Rover Defender was a standout performer clocking a robust 45.2K units for the full year as well as winning the 2021 Word Car Design of the Year. Its financial and market performance notwithstanding, Jaguar Land Rover made a critical contribution to the Tata Group's worldwide efforts to help our communities and our people by producing protective visors for the frontline health care workers, loaning JLR vehicles to the Red Cross and Red Crescent to aid the COVID efforts and many more.

During the year, we had a smooth CEO transition, during which Mr Thierry Bollore took over as the CEO of Jaguar Land Rover from Professor Sir Ralf Speth. I would like to thank Ralf for his invaluable contributions to the company over the last decade. Under his leadership, Jaguar Land Rover has become a differentiated luxury OEM with iconic brands like Jaguar, Land Rover, and Range Rover, a talent base that is world class and a set of skills and capabilities that will serve us well for the future. Under Thierry's leadership, Jaguar Land Rover has now unveiled its Reimagine strategy to make the company a world leader in electrified luxury vehicles, sustainability, manufacturing efficiency and new automotive technologies.

Outlook and Our plans: In the near term, the impact of the pandemic is expected to gradually recede as more people get vaccinated. We expect demand to remain strong with consumer preferences shifting further towards personal mobility. However, the supply situation is expected to be adversely impacted for the next few months due to disruptions from COVID-19 lockdowns in India and semi-conductor shortages

worldwide. Due to this, we anticipate a gradual improvement in performance during the year. The business has demonstrated steadfast resilience in the face of adversity last year and has strengthened its fundamentals. This track record gives me the confidence that the business will continue to build on its turnaround last year and deliver an even stronger performance in the coming years.

Over the longer term we anticipate significant changes in consumer behaviour — from demanding more integrated digital experiences to prioritising health and safety features across purchasing decisions. The urge to break free and have the freedom to move without fear or restrictions will shape future demand for passenger vehicles. Globally, greater emphasis and scrutiny will be placed on building environmental sustainability and climate resilience into the very core of business models.

To address and leverage these mega trends, we plan to make sustainable business models a bedrock of our strategy. At the Tata Group we would like to be amongst the world-leaders on sustainability. As a large and diverse conglomerate based in India, but with a global footprint, we are uniquely positioned for this leadership. Our companies are present in 150 countries, we employ over 750,000 people and touch the lives of 650 million consumers. I will be the first to say that we have a long journey ahead of us. But we are clear that this is the right journey we must undertake and have begun with pushing targets forward.

Tata Motors Group is in the process of pivoting its underlying business model towards sustainable mobility. Jaguar Land Rover is targeting 100% zero tail pipe emissions for the portfolio it sells by 2036. Jaguar will become fully electric by 2025. 60% of Jaguar Land Rover's volumes will be pure BEV vehicles by 2030. In India, EV penetration in our portfolio has now doubled to 2% this year and we expect penetration to increase exponentially in the coming years. Tata Motors will lead this change in the Indian market. By 2025, Tata Motors will have 10 new BEV vehicles

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and as a Group we will invest proactively to set up charging infrastructure across the country. In addition, the Tata Group is actively exploring partnerships in cell and battery manufacturing in India and Europe to secure our supplies of batteries. We are also evaluating an automotive software and engineering vertical within the Group that will help us lead in a new world of connected and autonomous vehicles. We are clear that this shift to sustainable mobility is an idea whose time has come, and the Tata Group will move forward with speed and scale to seize this and proactively drive the change in consumer behaviour in India and beyond.

In summary: With these moves, Tata Motors will be well placed to meet the opportunities that arise from these fundamental shifts. Your company will be the torch-bearer for green mobility in the automotive world and create a virtuous cycle of growth and returns for our shareholders too. This exciting journey opens a new frontier, and I would like to welcome you on this journey.

Before I end, I would like to take this opportunity to thank all our employees and their families for their profound contributions in these trying times. I would also like to thank you shareholders for your continued trust, confidence, and support in the coming years.

Best regards,

N Chandrasekaran
Mumbai, May 18, 2021