

A record-breaking year

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Mr. Shailesh Chandra
Managing Director - TMPV & TPEM



Dear Shareholders,

FY22 has been yet another challenging year for the Passenger Vehicle industry. Returning to the growth track in FY22 after two years of decline, the industry wholesale grew by just 13% vis-à-vis FY21 and retails remained flat vis-à-vis FY21. Post the strong recovery in Q4 FY21, growth was impacted in Q1 FY22 owing to the second wave of COVID. Q2 onwards, demand recovered, however semiconductor unavailability, sharp rise in commodity prices, geopolitical tensions restricted the industry from unleashing the full growth potential.

At Tata Motors, FY22 has been a record-breaking year for the PV and EV business. This was achieved despite the challenging external environment. The business staged a strong delivery for the second consecutive year and posted an industry beating growth of more than 65%. The PV and EV business was able to achieve life time high on key metrics of volumes, revenue, EBITDA and FCF.

Excellent response received for our "New Forever" range has been the backbone of our success. All the products have performed equally well to help business achieve market beating growth. Business achieved multiple milestones such as surpassing highest ever yearly sales, becoming the # number 1 SUV brand in H2 with Nexon being crowned as the highest sold SUV for the year, establishing leadership in High SUV segment with Harrier and Safari and establishing Punch as a successful 10,000 units per month brand.

In the Cars segment, the portfolio was strengthened with a unique value proposition of having multiple powertrain options—Petrol, CNG for Tiago and Petrol, CNG and Electric for Tigor. On the back of such a comprehensive range of options, Tigor sales are at the highest ever in its history, since 5 years of its launch.

EV business continues to grow by leaps and bounds and has consolidated the market position with a market share of 87% in FY22. On the back of strong product line up and increasing demand from both personal and fleet segments, EV sales volumes have increased by more than 350% to 19,105 units vis-à-vis FY21.

While products have been at the centre of our growth, several other measures were undertaken to unlock the growth potential. Focused, digital-led global and hyperlocal marketing initiatives were undertaken to improve the share of voice which resulted in NPS score improvement from 28 to 35 between FY20 and FY22. Health of channel partners was improved with a mix of policy changes, meticulous demand supply coordination and disciplined working capital management. As a result, almost 100% of the channel partners are now profitable. In addition, network optimisation exercise ensured presence in key markets and in high demand zones. Concrete actions to improve customer experience resulted in significant improvement in sales and service complaints per thousand vehicles (CPTV) scores. Improvement in product quality has been one of the focus areas for last two years. Owing to continued thrust

on improvement of in-house and supplier quality with new initiatives such as 'L1-L2-L3' level actions in value chain, 'Built in Quality', "Project Samrpit", the product quality measures of 3MIS, 6MIS and 12MIS (Month in Service) have improved significantly.

Expeditious ramping up of supply to meet the demand has been the key differentiator for the business over last two years. Business faced multiple headwinds which include shortage of electronic components owing to semiconductor shortage, steep rise in prices of commodities such as steel and precious metal, intermittent halting of supplier operations in multiple COVID-19 waves and higher absenteeism owing to COVID-19 infection. Not only did we overcome these challenges but we also completed the huge task of capacity expansion across all our manufacturing sites to support the massive work done on the demand creation side. In addition, strong cost reduction effort through an institutionalised process allowed business to increase the contribution margin in a phase where commodity prices increased significantly. All these efforts have been recognised by the industry as we received the 'Best Manufacturer of the Year' in the top industry awards.

The sheer commitment of the team to "make it happen, come what may" has enabled the business to scale newer heights.

As we return to normalcy, the industry is projected to grow and might reach closer or even surpass the peak that was achieved. Tata Motors' team is focused on further strengthening its market position, competitiveness, and brand position in the market. We have clearly defined key thrust areas to continue the growth momentum. The first of these includes, driving superior customer experience through "Reimagining2.0" initiatives across front end. While our effort in the past year has helped us in reducing complaints per thousand vehicles and turnaround time, we continue to strive to

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improve. Second is readying the Company for future competitiveness. This would include new product technologies, electrification, digital transformation and architecture innovations that enable us to leapfrog. Third is expanding our capacities to meet the rising demand. We are operating at a utilisation levels which are highest in the last decade; however, we need to reduce operational wastes, enhance productivity and stabilise our operations for consistency and quality. We also need to enhance our capacities to fully leverage the strong demand generation as we expand our portfolio in electric vehicles and new models in ICE. Fourth is to continue focus on profitability enhancement and cash generation actions. This has been driven in the Company as a key culture change for the past few years and we shall strengthen this even further. Finally, and most importantly, we are committed to building a safe working environment for all our employees.

We are geared up for the exciting future ahead. The opportunity is NOW and on behalf of the team, I assure you that both your companies, TMPV and TPEM will scale newer heights in the years to come.

Best regards,
Shailesh Chandra