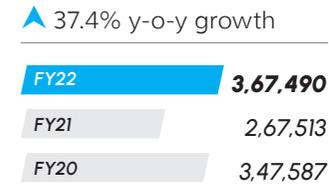


Tata Commercial Vehicles

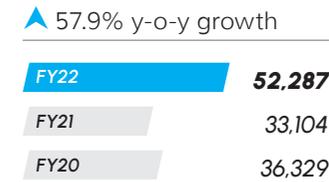


Financial Metrics

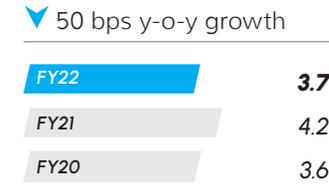
Sales volume (in units)



Revenue (₹ crore)



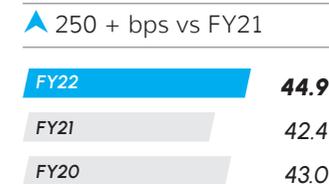
EBIDTA (%)



EBIT (%)



Domestic Market share



Leadership through innovation and customer-centricity

FY22 was a turnaround year for Indian Commercial Vehicle industry after hiatus of two years, when it was deeply impacted by successive disruptions.

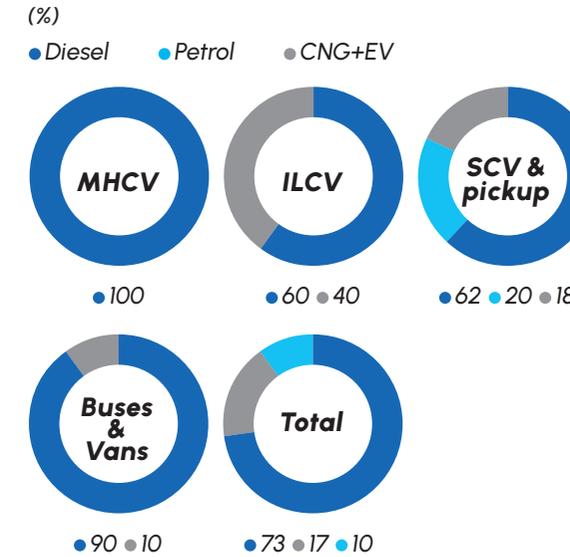
Our comprehensive 'Business Agility Plan' helped us navigate the key demand and supply challenges including supply chain issues and COVID-19 related disruptions. CV business delivered industry-leading performance, gained market share across all segments, improved sales and service penetration, achieved industry leading revenue growth and strengthened performance on key customer facing metrics (brand NPS, customer satisfaction, dealer satisfaction).

18.8%

Percentage share of consolidated revenues



Powertrain Mix (FY22)



Reviewing FY22

The Company has seen a spirited rebound in sales after two straight years of falling demand and revenues. The comprehensive reopening of the economy and the unfurling of pent-up demand has led to strong volume growth in the MHCV segment. Tata Commercial Vehicles closed FY22 with its highest quarterly revenue since Q4 FY19 and grew market shares in all segments. The SCV space witnessed very consistent growth with increasing demand for last mile connectivity. The business recorded a vigorous 37% volumes growth and 58% revenue growth, with the new launches and range extensions bringing even greater buying choice to consumers. The higher revenue growth was driven by improved product mix, better realisations and pricing actions taken to mitigate the impact of commodity inflation. However, profitability remained under pressure as severe commodity inflation dented the margins. Operating leverage from higher revenues drove near breakeven EBIT margin in FY22.

21 new CVs unveiled across all segments in one day

Extensive and comprehensive range of 21 new products and variants. Designed and engineered to cater to the evolving needs of cargo and people transport across segments and applications, these state-of-the-art vehicles further enhance Tata Motors' established 'Power of 6' benefit proposition to address specific usage and applications while delivering higher productivity and lower total cost of ownership (TCO).

7 MHCV

New vehicles unveiled offering superior features for richer performance on varied duty cycles and lowest TCO

- Signa 5530.S
- Signa 4623.S
- Signa 4625.S ESC
- Signa 4221.T
- Signa 4021.S
- Signa 3118.T
- Prima 2830.K RMC

5 ILCV

New vehicles unveiled for e-commerce servicing, designed for better maneuverability and faster turnaround

- Ultra T.18 SL
- 407G
- 709G CNG
- LPT 510
- Ultra T.6

4 SCV & Pickup

New vehicles unveiled to improve last-mile delivery efficiency and reduce operational cost

- Winger Cargo
- Ace Petrol CX cab chassis
- Ace Gold Diesel+
- Intra V30 High deck

5 Buses & Vans

New vehicles unveiled for enhanced comfort and convenience of passengers

- Winger 15S
- Starbus 4/12 LE
- Starbus 2200
- Cityride Prime
- Magna coach

Operating context

Challenges faced Volatility due to COVID uncertainties

Uncertainty due to surge in cases of COVID-19 Delta and Omicron waves led to volatile demand and impacted sequential recovery. The authorities increasingly tightened and re-deployed mobility restriction to curb the spread. Increasing infection rate also posed challenges on front line to keep up the pace of activations as well as maintaining continuity of operations on back end. While the Delta wave had a significant impact on the entire CV demand in Q1 FY22. With increased vaccinations and lower severity of Omicron wave, the third wave had limited impact.

Response

We activated our business agility plans and switched back to fortnightly production planning cycle to better manage the volatility in demand in these situations. Production was advanced towards 1st half of the month in anticipation of continued surge of cases. To mitigate any loss of traction, we deployed efficient conversion focused digital plan for lead generation, harnessing reach and engagement, through investment in search, programmatic display advertising and lead harvesting from affiliate side. The focus of digital plan is on enquiry generation, efficient conversion, and going to the warm prospects through intelligent placement of online advertisement. Field teams focused on prioritizing conversion of carryover pipeline through daily total quality pipeline monitoring and follow up.



Linkage to Risk managed and capital impacted

Operational Risk

Capitals Impacted:



Case study

Our BS VI success story

Our approach of taking 'Every regulatory change as an opportunity to enhance value to customer and increase competitiveness' helped us establish superiority of our BS VI range. Our BS VI range goes beyond mere regulatory compliance and delivers enhanced value proposition for customers, either by improving total cost of ownership (TCO), or increasing the revenue earning potential, or upgraded connectivity features. We had unveiled the entire range of BS VI trucks, buses and powertrains at Auto Expo 2020, and we adopted the right technological choice using SCR technology.

Our BS VI range is being well-accepted in the market, with leadership on TCO, comfort & convenience and connectivity. Our increasing market share and repeat purchases are a testimony of this. We are committed to maintaining this lead, on a continued basis, and also look for innovation opportunities to create segment defining and disruptive products, in a proactive manner.

Likewise, we are looking at the BS VI Phase II (Real Driving Emissions - RDE) regulations as an opportunity to enhance and upgrade the product portfolio with technologies and features that delight our customers.

Challenges faced

Erosion in margin due to inflation in commodity prices

Commodity prices were volatile in FY22. Our Commercial Vehicles business was severely impacted by the inflation in steel, which constitutes a significant component of our raw materials.

Response

The commodity price increase, especially steel and precious metals, necessitated the Company to pass on a part of it through an increase in price of its products. Tata Motors Commercial Vehicle business has taken a price increase of ~2% every quarter in FY22; the increase varies based on the model and the variant of the vehicles. The Company has further strived to minimise the increase in the price by absorbing a certain portion of the cost at various levels of manufacturing. Tata Motors continues the efforts to deliver the lowest total cost of ownership for its customers and fleet owners. We have also deployed a comprehensive margin improvement plan across all the levers to ensure that we get back to the desired levels.

Linkage to Risk Managed and Capital impacted

Operational Risk

Capitals Impacted:



Challenges faced

Supply chain disruptions

Shortage of semiconductor supplies and sudden increase in CNG demand has impacted production ramp-up and fulfilment.

Response

A systematic approach was undertaken to reduce, re-stack, regroup, reuse, remix or repurpose the electronic components to manage the shortage, followed by daily monitoring and de-risking the identified reduced parts list with levers such as direct engagement with IC suppliers and strategic inventory buildup. We debottlenecked supplies of CNG cylinders with alternate source, and rationalised the size of cylinders in the product range. We are also closely monitoring fuel system equipments and ECUs in SCVS and ILCVs to ramp up production. We continue our actions on debottlenecking, specifically in two areas, semiconductors for engine control units, and CNG components because of the increase in CNG demand.

Linkage to Risk Managed and Capital impacted

Operational Risk

Capitals Impacted:



Capitals





Strategic Review

Win Decisively in CV

Looking beyond the short-term challenges, we continue to focus on the megatrends impacting the CV industry. The aim is to strengthen our leadership position, leveraging new growth areas in product and services.

Our strategic actions are aligned to leverage the emerging opportunities and to counter the potential threats. The future focal points include

- Strengthening the core business
- Driving efficiency for financial fitness
- Expanding into new growth opportunities

Products

Accentuating our commitment towards the evolving logistics industry and the needs of our customers across various segments, we, at Tata Motors, continue to enhance our comprehensive range of commercial cargo and passenger transport vehicles. Our approach has been to consider every regulatory change as a value enhancement opportunity for the customers and thus, improve competitiveness. The BS VI range was designed, developed and delivered in alignment with this approach of "beyond compliance". Further, the focus continues on delivering best-in-class operating economics, superior comfort and convenience and enhanced connectivity across our range.

In FY22, we have introduced more than 80 new products and 120 variants, including the simultaneous launch of 21 products on a single day in Oct 2021. The launches in FY22, included introduction of new CNG variants, gasoline (Bi-fuel), and extended range variants of existing products. The development efforts with LNG and bio-diesel formulation also continued. Going ahead, we will continue to invest on strengthening our current portfolio and work on customised EV product and ecosystem solutions to drive EV adoption across prioritised segments and use cases. We bagged the Fuel Cell Electric Vehicle (FECV) Bus order from IOCL which is under execution.

Market development and customer experience

We continue with our focus on delivering enhanced value to our customers by bringing innovative solutions and enhancing customer satisfaction.

- **Go to Market Excellence:** We have moved forward on our agenda of revamping our frontend sales process and continued to leverage the overall GTME process and worked to institutionalise and digitalise it for better customer acquisition and stakeholder engagement.
- **Sampoorna Seva 2.0:** We continue to reinforce Sampoorna Seva 2.0, our bouquet of value-added services to provide customer comfort and convenience. Delivering 'Peace of mind' for the end customers, with enhanced productivity and earnings.
- **Value Added Service offerings:** We introduced industry-first Uptime Guarantee and Fuel Economy management program and increased service penetration while establishing new benchmarks.
- **Network:** We continued to enhance our sales and service reach further and added 130+ new sales and 370+ new service touchpoints, respectively. The key differentiator has been the introduction of smaller touchpoint formats which are helping Tata Motors gain better market penetration, faster customer reach and improved turnaround time. These formats include micro dealerships, container workshops and mobile service vans. We also introduced 'Tata Guru Authorised Workshops/ Mechanics', by identifying and training high-performance individuals to create more options and convenience for customers, and better employability and business prospects for mechanics with deeper rural penetration for Tata Motors.

Driving efficiencies

We continue to work on optimising our input costs through sustained efficiency improvement actions across our value chain. We have been working to institutionalise cost reduction across the organisation, maturing towards cost leadership. Our cost optimisation efforts are pivoted to customer value addition, while we critically review each cost element for potential optimisation opportunity. As we continue on this journey with a systematic value management approach, we remain focused to sustain the cost reduction benefits and maintain breakeven point at lower levels. We have embarked upon two transformational initiatives, namely, Modularity and More for less, to achieve world-class levels of performance in New Product Introduction and VMTs (Vehicle Module teams) have been formed to institutionalise these initiatives. We have also deployed a comprehensive margin improvement plan across all the levers to ensure that we get back to the desired margin levels.

Expand into new growth opportunities

- **Digitalisation:** We will continue to aggressively pursue digitalisation across the value chain. We are improving the end-to-end customer journey for improved experience with Fleet Edge, connected vehicle platform, E-Dukaan, Bandhu, E-Guru applications and Industry 4.0. practices. We are committed to move steadily and with agility in this area.
- **Non-Vehicle and International businesses** continue to be clear priority.
- We Strengthened play in EV buses through **own, maintain and operate model** offered at a per-km rate. Operationalised 250+ electric buses in FY22. Cumulatively, operating 400 e-buses under this vertical(340 BEST and 60 AJL). Additional 100 buses at DTC (Delhi) being deployed.

Dealer profitability

>98%

Cash-positive dealers

New business update

Electric Mobility

- Operationalised 250+ electric buses in FY22, Cumulative 645+ e-buses running on Indian roads with cumulative coverage of more than 35 million kms.
- FCEV Bus order from IOCL under execution.
- Forayed into cargo E-mobility with launch of ACE EV. Announced signing of MOU for ~39,000 units with marquee e-commerce customers.

Green mass-mobility solution

- Strengthened play in EV buses through own, maintain and operate model offered at a per-km rate
- Separate business vertical created to enable flawless execution, build competitive advantage and tap significant growth potential
- Currently, operating 400 e-buses under this vertical. Expect significant ramp up in the coming years
- Appropriate business model and financial structuring being worked upon.

Digital

- Fleet edge - Platform upgraded in FY22 with enhanced features (Trip planning and expense management).
- >200K connected vehicles and 85K+ customers with 75% monthly active users
- Launched E-Dukaan, online spare parts marketplace. Revenues of over ₹100 crore . clocked in FY22

Case study



Accelerating digital journey

The rising concerns about safety during the pandemic led to an inevitable need of digital contactless technologies to continue business operations. Tata Motors quickly adapted its processes to facilitate this critical emerging need of its customers and channel partners and deployed focused and agile digitalisation interventions across the value chain. Online Sales platform was launched to enable customers browse, select, and book a vehicle from the comfort and safety of their home/workplace. Tata Motors also increased focus on digital campaigns to facilitate the customers to have quick access to product/service information with limited field intervention by channel workforce. Furthermore, the Company also reinforced and leveraged digitalised front-end sales processes through Go-To Market Excellence, wherein the front-end sales teams were equipped with eGuru app on mobiles and tablets. This has enabled frontline salesforce to better plan and manage stakeholder interactions in a systematic manner, and streamline demand generation activity through digital enablement even during the pandemic.

New digital initiatives undertaken during the year also includes upgraded Fleet Edge, the connected vehicle platform, underpinned by data analytics, and specifically aimed at improving customers' business operations through trip management, expense management, and maintenance planning and spares inventory management. The connected vehicle platform and Fleet Edge have paved the way to understand consumer behaviour, load capacity and create opportunities for data monetisation. Currently over 180K connected Tata CVs are running on Indian roads with these truly upgraded connectivity features.

Furthermore, Tata Motors also launched E-Dukaan, an online marketplace for spare parts to enable contactless, hassle-free and transparent ordering of spare parts by customers.

Financial Targets

Double-digit EBITDA

Strong positive FCF

Long-term CAPEX at 3-4% of revenue

Outlook

The CV industry is poised for further growth on the back of increased activity in road construction, mining and improved infrastructure spending. The supply situation continues to show gradual improvement. Despite uncertainties, business sentiments continue to be positive with increasing fleet utilisation levels and freight rates. Sharp commodity inflation, however, continues to remain a challenge. The Company will continue to step-up its investments in products and new business models to deliver customer value while ensuring profitable growth. Despite near-term supply challenges and inflation concerns, the business aims to deliver strong margins recovery and profitability in FY23.

Spares and service penetration has almost doubled in last 4 years

Brand NPS sustained at 68, 11 points improvement over 4 years

Used Vehicles business has seen 66% overall growth, 11X over the last 4 years