

Chairman's message



N Chandrasekaran

Chairman and Non-Executive Director



In the first phase of this multi-year journey, I am pleased to report that your Company has delivered an excellent performance in FY24 with all automotive verticals delivering on their strategies leading to multiple achievements.”

Dear Shareholders,

It is my privilege to present to you the Integrated Annual Report of Tata Motors Limited for FY24.

The global geo-political scenario continues to be tense with continuing military conflicts. These have created immense hardships for the affected people and also resulted in supply chain disruptions. As the year draws to a close, the economic scenario is stabilising with global growth estimated to be around 3% during the next couple of years. The coordinated actions by the central banks have also helped bring down inflation.

The structural shifts that we called out last year are continuing to evolve. These are i) Energy transition—irreversible move to green mobility, ii) Rebalancing of supply chains to achieve resiliency and iii) Digital acceleration with Artificial Intelligence and Machine Learning becoming mainstream.

₹4,37,928 crore

With the turnaround at Tata Motors, the Company is embracing these shifts from a position of strength and confidence.

In the first phase of this multi-year journey, I am pleased to report that your Company has delivered an excellent performance in FY24 with all automotive verticals delivering on their strategies leading to multiple achievements. The Company has successfully navigated through many challenges this year including a successful migration to the BS VI Phase II emission norms in India, geo-political turbulence leading to supply chain disruptions and global slowdown in auto sales. All the three businesses – Commercial Vehicles (CV), Passenger Vehicles (PV) and JLR, delivered remarkable improvement in performance across metrics – brand health, customer experience, financials, product innovation, and employee engagement.

On a consolidated basis, the business delivered several highs - Net revenue of ₹ 4,37,928 crore, EBITDA of ₹ 62,798 crore, PBT [before exceptional items (bei)] of ₹ 28,932 crore and auto free cash flow (after investment and interest) of ₹ 26,925 crore. Our India automotive business is now debt-free, and the Company is on track to make JLR debt-free in FY25.

Due to this strong performance, the Board has recommended a final dividend of ₹ 3 per share to ordinary shareholders and ₹ 3.1 per share to DVR holders and a special dividend of ₹ 3 per share to ordinary shareholders and ₹ 3.1 per share to DVR holders, both subject to your approval.

Now, I would like to take you through the opportunities ahead and imperatives for each of our businesses.

Commercial Vehicles

In Commercial Vehicles, the focus on profitable growth resulted in the business recording an annual revenue of ₹ 78,791 crore in FY24 growing by 11.3% vs FY23 and PBT (bei) of ₹ 6,102 crore growing by around 90% over last year. Apart from Heavy Trucks, Intermediate Trucks, Small Commercial Vehicles, Buses and International Business, the Company is focused on growing its Non-Vehicular business (spares, service etc.), incubating Smart Mobility (EV mobility solutions for cities) and Digital business (digital solutions for the truck and trip ecosystem).

The growth in this industry is linked to the GDP growth of the country and as such there is a multi-decade growth opportunity. Tata Motors' right to win is significant as it has a strong market presence built over many decades, a redoubtable brand, a robust technological backbone, and a comprehensive portfolio. The business model is sound with healthy margins and good operating leverage.

Over the next phase, the business will focus on driving the following – Revenue growth, improving EBITDA, strong free cash flows, strong Return on Capital Employed, technology and brand leadership. Apart from vehicular sales, the business will also focus on vehicle parc linked businesses like spares, digital and smart mobility solutions which will help reduce the volatility of the vehicle sales business. This should help drive consistent value accretive growth in the coming years.

Passenger and Electric Vehicles (India)

A record performance for the third successive year had the business register annual sales of 5,73,541 units (up 6% vs FY23) and retail sales (up 8.4% vs FY23, Vahan-based). Sharp focus on emission-friendly technologies improved the penetration of CNG and electric vehicles to 29% in the overall portfolio. In EVs, the business continued to lead the way with 70%+ market share. Surpassing the cumulative EV production of 150,000 vehicles, a milestone achieved by few car manufacturers globally, 73,844 EVs were sold during the year to register a growth of 47.5% vs FY23. The top two SUVs sold during the year in India – Nexon & Punch, proudly sported the TATA logo. The business recorded its highest-ever turnover with an annual revenue of ₹ 52,353 crore, growing by 9.4% over FY23. It also became more profitable with a healthy improvement in EBIT margins by 100 bps and the PV business continued to be free cash flow positive.

India is well on track to exceed the 5m vehicle sales mark in passenger vehicles over the next few years from the 4.1m volumes clocked last year. Despite being the second largest market in the world, India is well behind China which is 6x our market size. India's vehicle penetration, at about 30 vehicles per 1,000 population, is well below global norms and is expected to continue to increase. Tata Motors is well placed to further strengthen its market position and tap into this growth opportunity.



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Over the next phase, the PV business will focus on the following – Market beating growth, improving EBITDA, positive free cash flows, enhanced customer experience, technology, and brand leadership. The competitive intensity in this portfolio will remain high and the business will continue to invest in products, platforms, electrical & electronic architectures, and vehicle software to remain competitive. The business will also focus on significantly improving customer experience and enhancing product quality. The EV business will focus on driving up penetration through multiple product launches, focus on market development, charging network enhancements and continuing to introduce aspirational product features.

JLR

Following three years of supply constraints due to semiconductor shortages, inflation, energy crisis and geopolitical instability, JLR has firmly re-established its financial stability in FY24 and is successfully laying the foundations for the next chapter of its Reimagine strategy. It unveiled a new 'House of Brands' approach and the new look of the JLR corporate identity to accelerate the delivery of its vision of being the proud creators of modern luxury. The business recorded

its highest-ever annual revenue of £29 billion (+27%), PBT (bei) of £2.2 billion and a record free cashflow of £2.3 billion in FY24.

The premium luxury market is a strong, resilient, and aspirational market position that requires a strong brand heritage, stunning products, cutting edge technology and an intuitive, personalised customer experience. JLR is well on its way to further strengthen its credentials through its cult British brands of Range Rover, Defender, Discovery and Jaguar.

Over the next phase, JLR will continue to double down on its journey to become a premium luxury OEM, deliver strong revenue growth, improve profitability further, drive positive free cash flows, focus on enhanced customer love and continue to invest in products and technologies. There is an exciting range of products lined up to be launched over the next 3 years that needs to be delivered successfully. The first electric Range Rover launches later this year, and there are further EVs lined up in the coming years including the all-electric Jaguar. JLR shall continue to invest in products, platforms, electrical & electronic architectures and vehicle software to provide a world class in-cabin and all-round customer experience to our discerning clientele.



PBT (bei)

₹28,932 crore

Free cash flow

₹26,925 crore

Demerger

To enable execution of these well differentiated strategies and to further empower each business to pursue it purposefully with greater agility and accountability, the Board has proposed the demerger of the Company into two separate listed companies housing A) the Commercial Vehicles business and its related investments in one entity and B) the Passenger Vehicles businesses including PV, EV, JLR and its related investments in another entity. This will also help secure the considerable synergies across PV, EV and JLR particularly in the areas of EVs, autonomous vehicles, and vehicle software. This will lead each Company



At the Tata Group's Founder's Day celebration in Jamshedpur, Tata Motors flags-off its next-gen, eco-friendly fleet of commercial vehicles to Tata Steel

to deliver a superior experience for customers, better growth prospects for employees and, enhanced value for shareholders.

Sustainability

The Group initiative, *Aalingana* outlines the Tata Group's approach to planet resilience, the Group's aspiration of net zero emissions by 2045 and the vision of securing the future by innovating today. It commits to embedding sustainability into business strategy by focusing on three interconnected pillars: driving the decarbonisation of our businesses and value chain; applying a systemic, circular economy approach to

reduce resource use and waste; and preserving and restoring the natural environment. Tata Motors has made excellent progress in its long-term commitments made towards achieving net zero status, promoting a circular economy, and preserving biodiversity.

I am happy to see Tata Motors continuing to take concerted actions to be future ready and to create a long-term value accretive growth model that deliver strong and consistent returns for our shareholders whilst becoming a net zero emission Company.

I am grateful for your unwavering support. This, coupled with the dedication of our employees, has been instrumental in the transformation and progress the Company has made so far. We value your partnership and look forward to scaling new heights together on this journey.

**Warm regards,
N Chandrasekaran**

