Tata Motors Limited (Formerly known as TML Commercial Vehicles Ltd)

Q1 FY27 Earnings Call transcript

Management:

- MR. GIRISH WAGH, MD & CEO, TATA MOTORS LIMITED

Presentation

Sneha Gavankar
Good evening. Welcome to Tata Motors' Q1 FY27 Results Call. My name is Sneha Gavankar. I head Investor Relations and Communications. Joining me are Mr. Girish Wagh, Managing Director and CEO, and the Investor Relations team.
Before we begin, I would like to inform you that our CFO, Mr. G.V. Ramanan, is unable to join today's call due to a personal exigency in the family and he sends his regrets for being unable to attend. In his absence, I will be taking you through the financial highlights section of the presentation, following which Mr. Wagh will give the business and strategic overview. We will then move to Q&A.
As a reminder, all participants will be in listen-only mode, and we'll be taking your questions via the Teams platform, which is already open to you for submitting questions. You may please mention your name and the name of your organization while submitting your questions.
With that, let me begin with the financial highlights for the quarter.

Before we go into the numbers, a quick word on safe harbour. Consistent with our last quarter presentation, our primary numbers represent the standalone financials which includes joint operations with Tata Cummins. Consolidated results follow later in the deck. One change to note this quarter; Freight Tiger is now included as a subsidiary, following the increase in our stake in May 2026. With that, let me take you through the highlights of the quarter.

Q1 was a quarter of execution on the commitments we made at the start of the year. A few highlights that deserve a mention. On Electric vehicles, we strengthened our electric CV leadership with over 3,400 electric vehicle orders across segments, building on the momentum we saw in the second half of last year. On the SCV Pick up front, we launched the Ace Gold+ XL, Intra V40 and Intra EV, broadening the SCV PU portfolio across ICE, CNG and electric. For the Indonesia order of 70,000-units Yodha and Ultra T.7, we initiated deliveries during the quarter. We also crossed a major milestone, with our Lucknow plant crossing 10 lakh commercial vehicles in cumulative production. We also partnered with HPCL on a scalable circular economy model for used automotive lubricants; and the Tata Motors Foundation's Integrated Village Development Programme has now reached close to 200 villages nationwide.

Next slide please.

There were two significant corporate actions in the quarter.
On the Iveco transaction - regulatory approvals are now in the final stage, with only one approval pending. All information requests have been addressed, and we expect final clearance by the end of August 2026.

On that basis, the Tender Offer is expected to be launched in early September 2026, with closure expected by early November 2026.
On Freight Tiger - we acquired an additional 18.1% equity stake in May 2026 for around ₹96 crore, taking our total holding to approximately 63.6%. Freight Tiger is now a subsidiary. The intent here is straightforward, bringing FleetEdge and Freight Tiger together so that it gives us an end-to-end digital ecosystem across the logistics value chain, covering both the truck ecosystem and the trip ecosystem.

The next few slides cover the standalone business which include JO with Tata Cummins. Let me start with volumes.

Q1 wholesales were approximately 108,700 units, up 26% year-on-year; a robust quarter and one delivered through a period of heightened geopolitical tensions. It's important to note that this growth was broad-based across every product line and each in double digits. HCV at 26.4K units, up 22%; ILMCV at 17.1K units, up 16%; SCV Pickup at 38.3K units, up 35%; CV Passenger at 18.7K units, up 23% and exports at 8.1K units, up 35%

This slide summarizes the standalone financials. The volume momentum we saw in the last page translated into a 23% revenue growth for the quarter, which stood at ₹19,300 crore, EBITDA was ₹2,300 crore at a margin of 11.7%, down 60 basis points YoY. The moderation is commodity-led, and I will take you through the walk on the next slide. EBIT margin was 9.4%, down only 20 basis points and PBT before exceptional items was ₹2,100 crore, up 26% year-on-year. So, despite the margin moderation, absolute profit growth has kept pace with revenue. Free cash flow was ₹1,100 crore, against a negative ₹1,800 crore in Q1 last year. That's a swing of almost ₹2,900 crore. I will also cover the drivers for that shortly. Net cash stood at ₹7,100 crore as of June 30th, against ₹7,500 crore at March-end and this is after the ₹1,473 crore dividend payout during the quarter. Auto ROCE continued to be strong at 68% on a trailing twelve-month basis, against 72% for FY26. Investment spending was ₹500 crore for the quarter, in line with plan.

This is the walk from PBT before exceptional items of ₹1,635 crore in Q1 FY26 to ₹2,057 crore in Q1 FY27, and what you see below is the EBIT margin bridge. Volume and mix contributed to ₹686 crore, and realisation a further ₹402 crore. The price increases that we took during the quarter have largely been passed through and together these added 140 basis points to EBIT margin. Variable costs were the principal headwind at ₹649 crore, or 340 basis points. This is primarily commodity inflation. Steel, aluminium and copper flowing through into material cost, consistent with the headwinds that we flagged when we closed FY26. Other fixed costs contributed positively, at 180 basis points. This is operating leverage on a larger revenue base. FX and other items were neutral to margin. Net of all this, EBIT margin moved from 9.6% to 9.4%. and in summary, operating leverage and improved realisation have absorbed almost all of the significant commodity headwind.

Coming to Free cash flow - for the quarter, FCF was ₹1,114 crore, against negative of ₹1,796 crore in Q1 FY26 - a swing of about ₹2,900 crore. Going through the walk, PBT before exceptional items of ₹2,057 crore, and non-cash items were ₹247 crore. On tax - the ₹500 crore outflow compares with just ₹20 crore in Q1 last year. As flagged during the full-year results, cash tax is now a recurring item for us. With that, we arrive at a cash profit after tax of around ₹1,800 cr. Capex was ₹554 crore, lower than the ₹639 crore in Q1 last year and in line with our investment plan. But the decisive difference year-on-year is efficient working capital. This quarter consumed only ₹232 crore, against ₹3,474 crore in Q1 FY26.

Next Slide
Total investment spending in Q1 was ₹515 crore at approximately 2.7% of revenue. This sits comfortably within our guided range of 2% to 4%.

This completes the standalone numbers. Now let me turn to the consolidated results. Consolidated revenue for Q1 was ₹20,700 crores, up 19% YoY. EBITDA was ₹2,300 crore at 10.9%, down 90 basis points. And EBIT was 8.5%, down 80 basis points. This was due to the same commodity dynamic that we discussed at the standalone level. PBT before exceptional items was ₹3,000 crore, up 81%. This includes a mark-to-market adjustment on our investments in Tata Capital. Consolidated free cash flow was ₹400 crore against a negative of ₹2,000 crore in Q1 of FY26. And net cash stood at ₹13,500 crore as on June 30, as against ₹13,700 crore at March end, maintaining a strong liquidity position through the quarter.

With that let me hand over to Girish to take you through the business updates. Over to you, sir.

Girish Wagh
Thank you, Sneha.
So let me begin with the VAHAN registration share. So, we saw 100 bps improvement in the VAHAN share on a sequential basis. And as compared to FY26, there was a growth of 170 bps. We further strengthened the position in heavy commercial vehicles to 56.3%. ILMCV saw a slight drop essentially due to the supply chain challenges that we have seen, especially in the Western Zone. We also had 110 bps growth in VAHAN share in small commercial vehicle and around 490 bps growth in CV passenger, which is buses and vans. So, this is on the back of the tenders that we had won.

Moving on. As far as fleet utilization is concerned, this is our data from the FleetEdge that we have deployed now almost on 1.2 million vehicles. So, the fleet utilization improved month over month in Q1, so it improved from April to May, May to June. But the Q1 fleet utilization remained slightly below that of Q1 of last year. But this is also on the back of a very high volume which was sold in H2 of last year. So, it is slightly below that of Q1 of last year and not a concern at this juncture. But what remains healthy is the significant growth in e-way bills as well as diesel consumption, which shows the continuous growth in utilization of the vehicles and the freight which is available for transportation.

Moving on. The industry saw healthy momentum with the wholesale volume growing almost 18% on a YoY basis. And our volumes grew by around 26% in the same period. As I spoke on the earlier slide, e-way bill generation shows a very good growth of 12.4%, which does indicate healthy freight available for transportation. Fleet utilizations improved month over month, although Q1 FY27 is slightly below that of Q1 FY26. And diesel consumption also grew. So overall, positive markers for the industry.

Moving onto our businesses, starting with trucks, we have a YoY market share gain due to volume growth, especially in heavy commercial vehicles on the back of the new product launches that we spoke earlier. In buses and vans, healthy market share growth, driven by not just higher retails in all segments, but also delivery on the government tenders that we had won in the previous quarters. During the quarter gone by, we also won orders for 562 units across multiple segments. In small commercial vehicle, we did launch new products which were spoken in the first few slides. And in addition to that, the ramp-up in our Ace Diesel LNT and Ace Pro EV are supporting the volume growth. Intra brand continues to do well, and Intra EV has also been launched and has started doing well. Of course, currently we do have some supply chain challenges, especially on Intra EV. The parts and services business continued to grow in double-digits, strong growth trajectory. And I think we were able to maintain uninterrupted diesel exhaust fluid supplies despite the crisis that we had in terms of availability of technical grade urea due to the Middle East crisis. And this also led to therefore increase in the volume and revenue from DEF supplies in Q1. FleetEdge installed base now grew to more than a million vehicles, and the subscription renewal performance has improved dramatically on a YoY basis. In the international business, we initiated deliveries against the Indonesia order, and we had around 2,000 vehicles being shipped in Q1, and post that we have been ramping it up consistently. We've been able to demonstrate a 35% YoY growth despite very few numbers being shipped to Middle East.

On sustainability and the EV business, with the launch of Intra EV and also the 55-tonne EV tractor and the increase in diesel prices which happened in middle of the last quarter, we have seen the TCO parity of EV with respect to diesel and the gas vehicles is being reached earlier, and therefore they are becoming more attractive. As a result, the EV volumes grew almost three times on a YoY basis. In fact, in SCV pickup, the EV penetration reached double-digit in the months of both May and June, and that continues to improve further as we get into Q2. Therefore, we had more than 3,200 retails on SCV EVs in Q1, which alone is almost four times growth on a YoY basis.

On EV trucks, both the heavy commercial vehicle tractors and tippers, there is a very strong interest from the customer, robust engagement, and the customers are looking forward for these kinds of decarbonizing solutions. We also now have around more than 850 electric buses orders. This is a combination of orders from private customers as well as a few tenders that we won from Chennai, Ahmedabad, Hyderabad, and the state of Odisha. Our Smart City business, which operates electric buses, has now covered more than 59 crore km and maintains the spotless performance in terms of uptime and safety.

Moving on. As we look ahead for Q2, for the overall business, I think two things we have to manage actively. First is the commodity inflation, which continues to be there, which will be managed through first line of attack which is cost management, but we've also taken a price increase on 1st of July. In addition to that, we've also seen some supply chain challenges, especially due to increase in demand in almost all the auto segments, be it two-wheeler, three-wheeler, four-wheeler, commercial vehicles, tractors. I think we've seen healthy growth all across. As a result of which, some of the part categories like sheet metal, casting, forgings have become a constraint. To address this, a lot of debottlenecking actions have been taken place, few more in the pipeline, but this has already enabled us to improve the throughput towards the end of Q1 and of course in Q2.

On the demand generation side, trucks, we will continue to accelerate the growth through the new MY26 portfolio, the higher payload trucks, and of course with heightened interest in the battery electric vehicles. CV passenger, we still have around 4,500 government orders on hand, which we will continue to deliver during this quarter. As I spoke, there are 850 e-buses orders also on hand. In small commercial vehicle, we will build on the demand which is being seen for both the ACE and Intra brand families and also build on the shift which is happening towards EVs and build on the market share gain. In parts and services, we continue to bring in innovative offerings especially on services, which leads to improved demand not only for the products but also for the parts. We are also taking quite a few actions on supply chain, some debottlenecking, and the fulfilment chain, which will improve our delivery of parts to the customers. On international business, we will continue to leverage increased demand from non-Middle East markets, especially in SAARC, Sub-Saharan Africa, and increase the throughput towards Indonesia. So that's the plan for the quarter ahead or the quarter that we are already into.

Now over to you for the questions.

Questions And Answers

Sneha Gavankar

Thank You. We have a few questions which have come in already in the queue. The first one is from Raghu. Congratulations. For full year, do you expect double-digit growth in domestic CVs? And second question, on exports, how do you see the full year outlook? For Indonesia order, how do you see dispatches in FY27 and FY28?

Girish Wagh

Thank you, Raghu. I think very early to talk about H2. It appears that Q2 will also see a healthy double-digit YoY growth. I think it will be very interesting to see how the market pans out from September onwards, especially when we do a YoY comparison. Because last year, as you recollect, post the GST rate correction, the market really picked up from the month of September. But I think the kind of growth that we have seen in July, it will probably be safe to say that Q2 will end up with a double-digit growth.

Now coming to Indonesia, I think we are ramping up the supplies quite significantly. And yes, I can only say that the 70,000 orders will certainly be supplied over a period of two years, FY27 and FY28.

Sneha Gavankar

So next question from Kapil. Kapil is also asking about demand outlook, which I think you just addressed. On EVs, what is the EV demand outlook? How has the response been to Intra EV and what is our capacity? Is there more cost pressure ahead? And will the price hike in Q2 cover it? And again, Indonesia order is something which we've already answered. So maybe you can take these two.

Girish Wagh

So, first of all, thank you. On EVs, yes, the demand outlook is quite positive. I already gave you the number of orders that we have for the electric buses. In addition to that, I think as a part of PM-eBus Sewa, there are a few more newer tenders which are also on the way. We are quite positive on that.

SCV pickup, which is completely in the retail market, is in fact doing very well. And as I said, the TCO parity of Intra, Ace Pro has become very attractive in comparison to their ICE brothers. And, therefore from that perspective, I think the demand will remain strong and will continue to grow.

In terms of capacity of Intra EV, our in-house capacity is not a challenge at all. What has happened is not only our electric vehicle demand has gone up, which is therefore leading to a cascading increase in demand of cells from China, but even within China, the share of electric vehicles has further gone up, which has led to increased demand on the cells. And this is something which is currently a bottleneck. And the lead time for the demand or lead time for getting the cells in India and converting into batteries is currently pretty high. But I think we have placed higher set of orders already around two months back. So, towards the end of this quarter, I think we should have the supplies completely debottlenecked from the perspective of the demand as we see.

Now coming to costs, is there more cost pressure ahead? Yes, there is further cost pressure ahead of us in terms of commodities, few of the commodities, steel, rubber, etc. And it is our endeavour, of course, to ensure that the price hike and our own internal cost management actions enable us to tide over this tough commodity challenge.

The net price hike in July, we have taken 2.5% increase and very confident that it should pass through as we progress during the quarter.

On Indonesia order, I think we have already answered in detail, so we can move to the next question.

Sneha Gavankar

Yes. The next, again from Raghu, on e-truck sales, how is profitability different from the ICE trucks? And how much is the EV revenue and PLI for the quarter?

Girish Wagh

There is another question in terms of higher payload trucks. Okay, Raghu, there is one question from you in terms of higher payload trucks. So yes, I think the acceptance in the market is very good. And this is therefore leading to market share gain gradually.

Now let me say, because you have asked a question whether it is giving a double whammy of market share gain and contribution margin improvement, I think in commercial vehicles, the customers do take time to build a trust in a vehicle, although they have a trust in the brand. And for any new vehicle, I think they kind of watch as to what is happening. But at this juncture, I must say that, yes, it does make a positive business case for them, these high-payload trucks.

The next question you have asked is utilization for HCV tipper is relatively lower than HCV cargo. Are there any worries? No. So, Raghu, this is quite characteristic. From the beginning of rainy season, the tipper utilization does go down. And towards middle of September, it starts picking up again. In many cases, it also starts picking up from the 15th August. So, it depends on the rainfall activity. This is not something to be concerned about.

You asked about growth in other expenses is much lower than the revenue growth. That is the operating leverage, Raghu, and we will make all the efforts to get this leverage as we go ahead.

There was one more question from him you said

Sneha Gavankar

Yes. On e-truck sales, how is profitability different from ICE trucks?

Girish Wagh

This is something that I also addressed during our Investor Day, that first is, our endeavour is to sell all the vehicles with PLI benefits. Although I must add that offlate, the regulators are taking pretty long time in giving the certificates. And therefore, in specific cases to meet customer commitments, we have started delivering the vehicles in certain cases. But otherwise, our endeavour is to deliver with full PLI.
The profitability will be different from ICE trucks because the scale is pretty low. But as the scale improves and we have higher localization, and I think in some quarters from now, we should see even cell localization happening gradually. With that, I think we should get back into a good position.

Sneha Gavankar

We have a few questions on email. So, this one is from Pramod Kumar, UBS. He says congratulations team on the strong volume and profit performance. His question is, on the pricing environment. Are we reaching the limit for price hikes given the sharp surge in steel and rubber. And how's the discounting been across segments?

Girish Wagh

So, I think this is a very delicate balance that we have to achieve, and this is something that I said in Q1 also, that our first line of attack is to see how much cost we can contain, how much cost we can negate. But beyond that, I think we have no option but to increase the prices. I think what has helped us, I must say, is the model year '26 that we launched across the portfolio with improved efficiencies and therefore improved TCO, it helped us to a good extent in terms of stabilizing the new prices. Whether it has reached the limit, it's very difficult to answer in a binary manner, but I can certainly say that the cumulative price increase during this year has been quite significant.

Sneha Gavankar

Another question from Pramod Kumar. Can you comment on the current demand environment? July has been very robust despite monsoon. What is driving this demand surge and whether it will be sustainable?

Girish Wagh

As I mentioned earlier, Pramod, I think the underlying demand fundamentals are pretty strong, right? We saw e-way bills, diesel consumption, FASTag collection. I think all the indicators indicate very high movement of goods, which means the underlying freight available is pretty robust. And we've also discussed that this remains directly correlated with the GDP growth. So once the GDP growth is quite robust, what it is today, it also leads to equivalent amount of freight growth, and that then leads to higher demand. So, at this juncture, despite the inflation which is happening in the products as well as the fuel prices, you see the demand remaining quite robust.

Sneha Gavankar

Okay, another question from Kapil. How is the EV financing scenario? And have historical resale value concerns been addressed?

Girish Wagh

The EV retail financing has been improving month over month. And I must say that more financiers are having confidence in the technology, in the product. In most cases, we are also offering battery warranty especially, which is higher than the tenor of the loan, which is giving a very high comfort to the financiers. And more and more financiers I meet, I see a lot of comfort amongst them in funding EVs because their book quality is quite robust, quite okay as far as EVs are concerned.

Sneha Gavankar

This is from Jay Kale, Elara. On the demand side, is it replacement demand that is driving the growth? And can you also share some flavour on large fleet operators versus first-time buyers.

Girish Wagh

So, Jay, I mentioned this last time also, it is very difficult to differentiate between replacement demand and new vehicle purchase, so to say. But generally, what happens is large fleet owners are the first ones to replace their existing trucks in four to six years, and they go for newer trucks because they see a clear TCO benefit with the newer trucks. But at the same time, their existing trucks don't move out of the system, but they are sold to maybe smaller customers, individual vehicle owners, and they then put those vehicles to use on shorter distances. So, I think overall the demand is going up, which means there is an increase in the freight which is available and the capacity utilization of the fleet also remains strong. So, as I said, very difficult to give a separation between replacement demand, new vehicle demand. It is actually a combination of both.

Sneha Gavankar

Next question is from Amyn Pirani, J.P. Morgan. 1Q working capital and FCF has been surprisingly strong considering normal seasonality. Are there any one-offs, or any structural changes have happened?

Girish Wagh

So, Amyn, I think we did have some carryover benefit to some extent from Q4, but otherwise I think the working capital discipline that we have been driving, combined with good operating profit, has helped us to deliver a good FCF in Q1. You are right. I think traditionally in Q1 and Q2, we burn working capital, but with the discipline as well as the operating profit, it has led to a good improvement. I must also add that the Indonesia order and the advance that we received from Indonesia has been the one-off, if I may say so, which has helped us on the cash flow in Q1.

Sneha Gavankar

Let me check if there are any other questions. Let me check on email as well

Girish Wagh

There is a question from Sridhar

Sneha Gavankar

But I think you've largely answered it. There's a question from Kapil. Can you talk about the export outlook for MHCV and LCV for maybe two or three years?

Girish Wagh

Kapil, two to three years is pretty long horizon. But I think we are certainly doing a lot of work in some of the markets that I spoke about, whether it is Africa and also with the entry that we have in Indonesia with this order, we're doing some work in other segments also. I mean, this order in Indonesia also has been in light commercial vehicle and pickup. I think we are using this opportunity to do some work and seed our products in other segments also. But very early to give any kind of outlook. But yes, we are doing a lot of work on the demand generation front as well as launch of new products in some of these international markets.

Sneha Gavankar

Okay. There's another one on email from Pramod Kumar, UBS. Any comments on operator profitability given rising prices of trucks? Also, has Tamil Nadu reverted to a normal demand post-election-led slowdown?

Girish Wagh

The second one is easier. Yes, Tamil Nadu has been improving in demand month over month, and especially last month was pretty good, very close to the normal situation as far as Tamil Nadu demand is concerned. And what was the first question?

Sneha Gavankar

This was on the rising operator profitability.

Girish Wagh

I don't have any index on this, but I can tell you anecdotally from discussions that we've had with the customers. I think depending upon the route, shippers and the commodities being transported, the diesel price increase is being passed through, and therefore gradually the profitability will come back to the earlier level.

Now take the case of we as shippers. I mean we ship our vehicles on tractor trailers or trucks. I think, the auto industry has been -- has passed through the diesel price increases pretty soon, and there are quite a few other segments also where this has happened, which is then helping the fleet owners to get the profitability back on track.

Sneha Gavankar

One question from Himanshu Singh. Should we continue to see market share gains going ahead?

Girish Wagh

So that will always remain our endeavour.

Sneha Gavankar

Just seeing if the questions are queuing up. Please give us a minute.

I think with that, we've mostly answered all the questions. And we can close the call with that. Any other questions that remain unanswered, we'll be happy to take them offline. Thank you so much for your time.