

Risks and opportunities



Risk

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Rapid technology change

There is a paradigm shift in the automobile marketplace with rapid advances being made in new technologies such as electrification and autonomous cars, among others.

The fast pace of technological development together with scarcity of specialist resources could result in a significant change in the automotive industry and increase the risk of delivering superior products demanded by current and future customers.

Recently, several geographies, such as Norway, Germany, the UK, France, the Netherlands, India and China, announced their intentions to eliminate the sale of conventionally fuelled vehicles in their markets in the coming decades.

Mitigation

We continue to invest substantially in R&D and also continue our strategic focus on key technology areas, including autonomy, connectivity and electrification, with the aim of launching our products ahead of our competition.

We are working towards developing high-performance EVs, investing in development programmes to reduce fuel consumption by using lightweight materials, reducing parasitic losses through the driveline and improving aerodynamics.

Opportunities

Technology has been a major enabling factor for transformation, whether in terms of added features to products ensuring better ride quality, safety and performance or manufacturing efficiency. TML continues to invest in technology solutions as substantial changes to the market in terms of automation of factory lines and move from manual to electric. This enables us to focus on launching industry-defining products ahead of our competition as well as strengthening partnerships with global technological organisations and leading academic research teams.

Risk

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Evolving customer demands

Customer preferences, especially in mature markets, are trending towards smaller and more fuel-efficient cars and environment-friendly vehicles. In many markets, these preferences are driven by customers' environmental concerns or increases in fuel prices.

JLR operates in the premium car segment. Any downturn or reduction in the demand for cars in these limited segments could have a more pronounced effect on its performance and earnings. JLR is working towards meeting the changing customer preferences.

Mitigation

TML and JLR are developing new models of vehicles in various segments with different capabilities.

TML developed and launched India's first bio-methane engine for buses; Tata Nexon, an award-winning compact SUV and the XL range of small commercial cargo vehicles in India on the ACE platform.

JLR launched the I-PACE, a fully electric premium sedan, successfully electrified the Range Rover and the Range Rover Sport models and introduced the premium SUV Range Rover Velar.

Opportunities

Through innovation and technological advancement, our product portfolio and services can be developed according to the changing consumer demands.



Risk

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Competitive business efficiency



The Company initiated programmes to optimise operating efficiency. However, there is a risk that these programmes may not deliver projected efficiencies and anticipated benefits may not accrue as expected.

If the Company is unable to deliver the desired benefits from these programmes, its business results may be adversely impacted and its ability to compete successfully, over the longer term, could be affected.

Mitigation

The Company launched certain initiatives to reduce product and business complexity and to benefit from economies of scale. A robust project management process is in place to ensure set targets are met.

TML initiated various ImpACT (Improvement by Action) projects based on Balanced Score Card (BSC) objectives and business challenges. The ImpACT projects constituted systemic projects addressing key backbone processes, capacity building through long-term enabling projects and high-impact projects addressing its market position and profitability aspirations.

Opportunities

We develop real-time analytical data tools to aid in business decision - making and to realise greater degrees of efficiency. Furthermore, its expansion plans present opportunities to invest in world-class facilities and enhanced capabilities.



Risk

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Diesel uncertainty



Adverse public perception of diesel-powered vehicles mainly driven by the media and government policy has precipitated a fall in diesel sales, primarily in the UK and Europe. It has also created uncertainty for customers, which could further impact future sales.

In addition to the financial impact of falling sales, a significantly lower diesel sales mix would create a challenge in achieving CO₂ compliance and cause major disruption to our supply base.

Mitigation

We are committed to the introduction and expansion of our electrified fleet across the product portfolio and the continued refinement of our internal combustion engines and production flexibility in our Engine Manufacturing Centre.

Opportunities

This will enable us to grow our presence in the EV and Hybrid spaces, thereby resulting in recovering our investments made in full battery-operated EVs such as the I-Pace, PHEVs in Range Rover and Range Rover Sport and also in refinement of the internal combustion engines.

Probability

H High

M Medium

Capitals impacted

Financial

Manufactured

Intellectual

Human

Social & Relationship

Natural

Risks and opportunities



Risk

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Exchange rate fluctuations



Approximately 80% of JLR's revenue is derived from international sales (e.g. the US and China) and we source a significant proportion of our components from the eurozone, while JLR's reporting currency is Pounds Sterling.

Mitigation

Currency transaction risk is managed with financial derivatives in line with the hedging policy approved by the JLR plc Board. Also, we aim to align our sourcing base with our global sales profile. Recently, we have executed cross-currency interest rate swaps to hedge our exposure to a proportion of our US Dollar debt.

Opportunities

We continue to investigate further opportunities to develop our international manufacturing footprint, which may result in greater natural hedging of our currency exposures by aligning the currency profile of cost with sales. Going forward, we plan to execute further derivatives in order to hedge significant proportions of our debt denominated in foreign currency.



Risk

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Environmental regulations and compliances



Both TML and JLR operate in an environment of rapidly changing regulatory landscape, particularly environmental issues relating to emissions and fuel economy. These would have an impact on their products as well as their manufacturing facilities.

TML must migrate to BS VI emission norms in India from April 1, 2020. In fact, Delhi has already started receiving BS VI-compliant fuel with effect from April 1, 2018. This entails challenges in the adaptation of technologies and innovations relating to manufacturing, testing and validation to the new standards.

Mitigation

TML successfully worked towards its goal of manufacturing cleaner and more efficient vehicles using advanced technologies. TML showcased its all-new electric EVision car at the Geneva International Motor Show in March 2018. The EVision uses the OMEGA architecture and was developed in collaboration with JLR.

Opportunities

The development of battery electric products (starting with the I-PACE and EVision in 2018) and the introduction of plug-in hybrid technologies such as Range Rover and Range Rover Sport PHEV help achieve compliance, aligning our products with consumer demands. TML developed India's first bio-methane engine for buses in the current year.



Risk

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Information and cyber security



New and emerging technologies bring unprecedented threats to internet-connected devices, including vehicles. Recent global hacking incidents impacting the geo-political environment indicate an increase in the motivation to instigate cyber attacks.

The loss of sensitive and personal data or a breach in any safeguards aimed at protecting this information could lead to significant legal action combined with the imposition of regulation and associated fines.

Mitigation

Both TML and JLR strive to implement consistent security policies and procedures while educating staff, vendors and suppliers to embed best practices. The Companies do this by implementing internal tools to detect and mitigate the current and emerging cyber security threats.

Opportunities

We strive to maintain a strong IT-controlled environment. By monitoring and responding to emerging cyber threats, we embed deeper, more intelligent controls over time.



Risk

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Volatile global economic and geo-political environment



The Indian automotive industry could be affected materially by the general economic conditions in India and around the world. The automotive industry, in general, is cyclical and economic slowdowns in the recent past have affected the manufacturing sector in India, including the automotive and allied industries.

Our expanding global presence increases our exposure to changes in the global economic and geopolitical environments as well as to other external factors (i.e. Brexit, political instability, wars, terrorism and natural disasters) that may impact our business.

Mitigation

TML's CV business is already present in seven clusters, including Latin America, North & West America, Africa, Association of Southeast Asian Nations (ASEAN), South Asian Association for Regional Cooperation (SAARC), the Middle East and Commonwealth of Independent States (CIS). The Company is further expanding its international footprint through initiatives such as the launch of CV in new markets such as the Philippines, growth of CV sales in markets such as Nepal and launch of the Slovakia manufacturing plant. It maintains a balanced retail sales profile across key sales regions.

Also, Tata Motors closely monitors global geo-political and macroeconomic developments. JLR is continuing expansion in new geographies like Slovakia and is trying to maintain a balanced retail sales profile across key regions.

Opportunities

Global economic growth in developed and emerging markets represents opportunities to extend sales, both in new and existing geographical markets as well as segments.



Risk

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Product liability, warranties and recalls



Both TML and JLR are subjected to risks and costs associated with product liability, warranties and recalls in connection with performance, compliance or safety-related issues affecting their products.

Moreover, in the Indian context, the additional factor to consider is the Motor Vehicles (Amendment) Bill, 2017, which is currently being debated in the Rajya Sabha. This draft Bill addresses vehicle recalls, road safety, traffic management and accident insurance, among other matters, and imposes civil and criminal liability on manufacturers selling vehicles in contravention of the standards specified in the Bill or required by the Government to recall their vehicles.

Mitigation

Both TML and JLR regularly monitor the service data of their vehicles to proactively manage recalls and minimise warranty claims. The Companies also issue technical updates to their dealer networks to manage identified faults and defects.

Opportunities

Enhanced vehicle connectivity and digital capability provide opportunities for us to identify and remedy potential faults more efficiently.

TML is aligned to the vision of the Government of India.