

BOARD'S REPORT

TO THE MEMBERS OF TATA MOTORS LIMITED

The Directors present their Seventy Third Annual Report along with the Audited Statement of Accounts for Fiscal 2018.

FINANCIAL PERFORMANCE SUMMARY

(₹ in crores)

	Tata Motors (Standalone)*		Tata Motors Group (Consolidated)	
	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017
FINANCIAL RESULTS				
Revenue from operations	59,624.69	49,054.49	2,95,409.34	2,74,492.12
Total expenditure	55,824.11	47,242.28	2,58,536.37	2,37,579.76
Operating profit	3,800.58	1,812.21	36,872.97	36,912.36
Other Income	1,557.60	981.06	888.89	754.54
Profit before interest, foreign exchange, depreciation, amortization, exceptional item and tax	5,358.18	2,793.27	37,761.86	37,666.90
Finance cost	1,744.43	1,569.01	4,681.79	4,238.01
Profit before depreciation, amortization, exceptional item, foreign exchange and tax	3,613.75	1,224.26	33,080.07	33,428.89
Depreciation, amortization and product development/ engineering expenses	3,576.87	3,491.60	25,085.46	21,318.56
Foreign exchange (gain)/loss (net)	17.14	(252.78)	(1,185.28)	3,910.10
Profit/(loss) before exceptional items and tax	19.74	(2,014.56)	9,179.89	8,200.23
Exceptional Items - (gain) / loss (net)	966.66	338.71	(1,975.14)	(1,114.56)
Profit/(loss) before tax	(946.92)	(2,353.27)	11,155.03	9,314.79
Tax expenses (net)	87.93	76.33	4,341.93	3,251.23
Profit/(loss) after tax	(1,034.85)	(2,429.60)	6,813.10	6,063.56
Share of profit of joint venture and associates (net)	-	-	2,278.26	1,493.00
Profit/(loss) for the year	(1,034.85)	(2,429.60)	9,091.36	7,556.56
Other comprehensive income/(loss)	43.22	94.21	29,562.51	(27,494.57)
Total Other comprehensive income/(loss) for the year	(991.63)	(2,335.39)	38,653.87	(19,938.01)
Attributable to:				
Shareholders of the Company	-	-	38,524.52	(20,005.94)
Non-controlling interest	-	-	129.35	67.93

* These include the Company's proportionate share of income and expenditure in its two joint operations, namely, Tata Cummins Pvt. Ltd. and Fiat India Automobiles Pvt. Ltd. Effective April 30, 2018, the Company completed the merger of TML Drivelines Ltd. Fiscal 2017 has been restated for accounting the said merger. The appointed date of merger was April 1, 2017.

DIVIDEND

In view of the losses for Fiscal 2018, no dividend is permitted to be paid to the Members as per the provisions of the Companies Act, 2013 ('the Act') and the Rules framed thereunder.

TRANSFER TO RESERVES

Due to losses in Fiscal 2018, resulting in debit balance in retained earnings, no amount has been transferred to the Debenture Redemption Reserve.

OPERATING RESULTS AND PROFITS

The year 2017 for India was marked by a number of key structural initiatives to build strength across macro-economic parameters for sustainable growth in the future. The growth in the first half of the year suffered, despite global tailwinds. However, the weakness seen at the beginning of 2017 seems to have bottomed out with

the onset of 2018. Currently, the Indian economy seems to be on the path to recovery from the effects of demonetization, transition into BS-IV emission norms and the introduction of the Goods and Service Tax, with indicators of industrial production, stock market index, auto sales and exports having shown some uptick.

The year 2017 saw global economy accelerating although UK economy evidently slowed down, while the US economy continued to grow at a modest pace. The Chinese economy continued to grow strong, however, the Euro zone and Japan showed signs of acceleration like many of the major emerging economies such as Turkey and Russia. The US economy grew at 2.7% in 2017, supported by broad-based strength in domestic demand, especially investment. The Eurozone grew at a faster rate than in a decade, in 2017 by 2.4%, highest since 2007, reflecting the strong consumption, investment, and exports. The UK by contrast, was growing by 1.8% in 2017, down from 2016's 1.9% rate and the weakest expansion since

2012, mainly reflecting the impact of higher inflation in the wake of the 2016 Brexit vote and weaker investment from companies due to uncertainty of future trade arrangements. China registering growth of 6.9% in 2017 and had remained solid this year. Activity continued to shift to consumption, while investment growth rates remain well below those in recent years. Industrial production has stabilized following significant cuts in overcapacity sectors implemented over the past 2 years.

During 2017, prices of base metal also strengthened, with the strong growth in infrastructure sector in major countries around the globe. Crude prices remained range bound in major part of 2017 although it started to give a signal of upward breakout towards fourth quarter of Fiscal 2018. Brent crude started sharp rally in the middle of 2017 around US\$44/bbl and has rallied all the way to US\$79/bbl. The tensions in the Middle East and West Asia would only add to the increase in oil prices. The US shale output was also expected to grow just by 1.1 million bpd and the year 2018 could be the year of oil deficit to the tune of 7.5 lacs bpd.

The **Tata Motors Group** registered a growth of 7.6% in income from operations to ₹2,95,409 crores in Fiscal 2018 as compared to ₹2,74,492 crores in Fiscal 2017. This was due to growth in the business in India, higher wholesale volumes in Jaguar and Land Rover offset by negative translation impact from Great Britain Pound ('GBP') to Indian Rupee ('₹') of ₹3,192 crores. The consolidated EBITDA margins for Fiscal 2018 stood at 10.6%. EBIT was lower due to non-recurrence of Tianjin recoveries offset by favourable foreign currency revaluation and pension credit at Jaguar Land Rover. Consequently, Profit Before Tax and Profit After Tax [post share of profit of joint ventures and associates (net)] were ₹11,155 crores and ₹9,091 crores, respectively.

Tata Motors Limited recorded revenue from operations (including joint operations) of ₹59,625 crores in Fiscal 2018, 21.6% higher from ₹49,054 crores in Fiscal 2017. Growth in demand of Medium and Heavy Commercial Vehicle (M&HCV) and Light Commercial Vehicle (LCV), new product offerings in passenger cars and Utility Vehicles (UV), resulted in increase in EBITDA margins to 5.8% in Fiscal 2018 as against 3.4% in Fiscal 2017. Loss Before and After Tax (including joint operations) for Fiscal 2018 were at ₹947 crores and ₹1,035 crores, respectively as compared to Loss Before and After Tax (including joint operations) of ₹2,353 crores and ₹2,430 crores, respectively for Fiscal 2017. There will be significant disruptions in the Auto Industry necessitating a review of the Company's tangible and intangible assets to ensure "Fit for Future". Accordingly, an exceptional provision for impairment of ₹963 crores has been taken in Fiscal 2018.

Jaguar Land Rover ('JLR') (as per IFRS) recorded a 5.9% higher revenue of GB£25.8 billion in Fiscal 2018 compared to GB£24.3 billion in Fiscal 2017 driven by higher sales volumes and favourable mix.

Consolidated EBITDA for Fiscal 2018 was GB£3.3 billion, marginally higher as compared to EBITDA of GB£3.0 billion for Fiscal 2017, as the higher revenue was offset by higher marketing expense, higher incentives and certain engineering charges. EBIT was GB£974 million in Fiscal 2018 compared to GB£1.5 billion in Fiscal 2017, due to higher depreciation and amortisation related to new product

launches which was partially offset by higher profits from our China Joint Venture.

Profit Before Tax ('PBT') in Fiscal 2018 was GB£1.5 billion marginally lower than PBT GB£1.6 billion in Fiscal 2017, due to lower EBIT and the non-recurrence of Tianjin recoveries from Fiscal 2017 offset by more favourable foreign currency revaluation of debt and hedges as well as the GB£437 million pension credit realised in first quarter of Fiscal 2018.

GB£437 million pension realised in first quarter of Fiscal 2018 was partially offset by engineering charges ('Fit for Future') in fourth quarter of Fiscal 2018.

TMF Holdings Limited ('TMFHL') (earlier known as Tata Motors Finance Limited) (consolidated) (as per Indian GAAP) the Company's captive financing subsidiary, reported revenues of ₹2,876 crores (Fiscal 2017: ₹2,721 crores) and Profit After Tax of ₹217 crores in Fiscal 2018 as compared to Loss After Tax of ₹1,182 crores in Fiscal 2017.

Tata Daewoo Commercial Vehicle Company Limited ('TDCV'), (as per Korean GAAP) South Korea registered revenues of KRW 868.26 billion, a drop of 15.8% in Fiscal 2018 over the Fiscal 2017 mainly due to lower domestic sales. The Profit After Tax was KRW 33.66 billion compared to KRW 50.25 billion of Fiscal 2017. Lower profitability was mainly due to the impact of lower domestic sales which was partially set-off by material cost reduction.

VEHICLE SALES AND MARKET SHARES

The **Tata Motors Group** sales for the year stood at 12,21,124 vehicles, up by 11.9% as compared to Fiscal 2017. Global sales of all Commercial Vehicles (CV) were 4,56,552 vehicles, while sales of Passenger Vehicles (PV) were at 7,64,572 vehicles.

TATA MOTORS

Tata Motors recorded sales of 584,564 vehicles, a growth of 21.9% over Fiscal 2017, higher than the Indian Auto Industry grew by 10%. The Company's market share increased to 14.1% in Fiscal 2018 from 12.7% in Fiscal 2017. The Company's exports on standalone basis were lower by 18.4% to 52,404 vehicles in Fiscal 2018 as compared to 64,221 vehicles in Fiscal 2017.

Commercial Vehicles

The CV market after a turbulent start in the year 2017, as a result of announcement of BS-III to BS-IV changeover and concerns over Goods and Services Tax (GST), recovered strongly representing a growth of 21.7% in Fiscal 2018. The Company sold 399,821 vehicles within the domestic market, representing a growth of 23.3% over Fiscal 2017. The market share of CVBU for Fiscal 2018 was 45.1%. All segments with the exception of buses showed strong growth in Fiscal 2018.

Some of the highlights for the year were:

- M&HCV volumes grew by 15.5% in Fiscal 2018. Several new products were launched across the SIGNA, PRIMA and conventional platforms – SIGNA 4923.S with Bell Crank suspension, SIGNA 3718, SIGNA 3718.TK, Prima 2530.K Scoop,

- Prima Lx 3125.K 23cm, LPK 2523 ULTIMAAX, LPK 2518 7 Cum RMC Bogie.
- ILCV volumes registered a strong 35.6% growth in Fiscal 2018. The introduction of the ULTRA 1518 marked the Company's entry in the 15T segment previously dominated by competition. New products such as LPT 407/38, ILCV Tippers and ILCV CNG products have helped grow volumes significantly.
 - SCV Volumes grew by 37.3%. The XL series of SCVs, consisting of the Zip XL, Mega XL and Ace XL models, was launched with a 15% longer load body delivering improved Total Cost of Ownership ('TCO') to our customers.
 - Volumes in the CV passenger segment marginally increased by 0.2% from Fiscal 2017. The Magic Express passenger SCV was launched in second quarter of Fiscal 2018 and was well received, helping this segment gain 9% market share in the year. The Net Promoter Score ('NPS') stood at positive (+57) for Fiscal 2018.
 - Reiterating its commitment to greener fuel options, the Company won orders for electric buses in 6 out of the 9 cities for which tenders were released across the Country, garnering around 60% share. The Company also supplied the country's first diesel hybrid buses for the city of Mumbai with 25 units being flagged off by the Chief Minister of Maharashtra in March 2018.
 - The Company became the first Original Equipment Manufacturer (OEM) in India to deploy Advanced Driver Assistance Systems (ADAS) systems in its PRIMA and SIGNA range. This package included Electronic Stability Control (ESC), Automatic Traction Control (ATC), Hill Start Aid (HSA), a Collision Mitigation System (CMS) and a Lane Departure Warning System (LDWS).
 - The Company significantly improved the ability to provide customers with end to end support and comfort through enhancing the value added services under a common brand of "Sampoorna Seva". The key elements include **6 Year 6 lakh km** warranty on the entire range of M&HCVs, **Tata Alert** breakdown assistance service available across 3 million kilometers of Indian roads and Tata Delight Loyalty Program.
 - Tie up with Indian Oil to launch Tata Motors Genuine Oil (TMGO), a single brand of affordable lubricating oils that is guaranteed by the Company for use across the range of CVs.
 - **Sales Kraft – Value Selling and Negotiation** training module was developed along with Mercuri Goldman to improve the negotiation skills of the frontline sales team, aimed to improve net sales realization. Over the course of 3 phases, the entire M&HCV sales team has been trained. In the next phase of the program, this module is being extended to the dealer sales teams.
 - The Company participated in the SIAM Auto Expo 2018 where 15 vehicles and 1 new engine from the CV portfolio were showcased. Some of the key products displayed were:
 - The special **PRIMA 4930.S** technology demonstrator which displayed some of our latest advanced safety features like LDWS, Advanced Emergency Braking System (AEBS), HSA and rear view cameras
 - The **ULTRA T.7**, an elegant 4.2 ton payload LCV with a 1.9-meter wide cabin for easier maneuverability on the narrow roads of urban and rural India.
- The Tata **INTRA** compact truck which is set to re-define the SCV segment in the country
- The **MAGNA** Bus – the first bus body code compliant two-axle OEM coach with world-class design and engineering inputs from our partner Marcopolo, Brazil.
 - The **Turbotronn** Engine Family - a brand new next generation state-of-the-art diesel engine family that offers best in class fuel economy, excellent performance, better reliability, and durability as well as lower TCO to our customers.
 - A range of Electric commercial vehicles including the **Starbus Electric, Magic EV** and **Iris EV**.
- CV won numerous awards for its various innovative products and initiatives, some of which are mentioned below:
 - At the prestigious **Apollo CV Awards**, CVBU won:
 - Small People Mover of the Year for the Tata Magic Express
 - M&HCV People Mover of the Year for the Tata Magna Bus
 - HCV Tractor Cargo Carrier of the Year for the Tata SIGNA 4923.S
 - Special Recognition award for the Tata Starbus Hybrid
 - **Brand Equity YouTube Leader board** – No 1. In Top 10 ads on YouTube in India that resonate most with the audience - February 2018.
 - **World Digital Marketing Congress (WDMC)** - Best Digital Integrated marketing campaign for Tata Ace - Keep Loading campaign. Global Digital marketing awards. This is one of the first industry awards in the year.
 - **Abby's** – Best use of Digital media – Bronze Award for Best use of Digital display advertising
 - **Digital Industry Awards 2017** - Best Use of Social Media in a Digital Campaign for Tata T1 Prima Truck Racing Championship 2017 for the year's Digital Industry Awards
 - **Use Dipper At Night Campaign** – an innovative campaign to bring awareness amongst the truck driver community of safe practices continues to be extremely well received and acknowledged winning the Silver WARC Prize for Asian Strategy and award for the Best Channel Thinking.
 - **Tata Yodha** – This media campaign won the Bronze award at the prestigious Effies in India.
 - In order to promote various applications on the Company's products a series of campaigns were organized on Pan India:

- **M&HCV Truck World** - Organized 6 Truck World Exhibitions with a full range of over 35 different models displayed. The events were also used to highlight new product launches. This has been backed up with 10,000+ market activations including 3100+ customer meets and 1600+ Fuel Trials.
- **ILCV Expos** - 53 ILCV Expos, showcasing the complete ILCV range of the Company, were conducted across 17 states with 18,500 customers in attendance.
- **XL Series Launch Activities** - 44 large and 114 small format XL Range launch events were conducted across 19 states, attended by over 28,000 potential customers.
- **UP Yoddha Kabaddi Team** - Tied up with the Pro Kabaddi League team UP Yoddha to promote the Tata Yodha range of pickups. This association was amplified through a concentrated promotion campaign including digital and Below The Line ('BTL') activities.
- **HAMARE BUS KI BAT HAI** - a unique outreach program for school staff, to upgrade their soft skills touched more than 1500 schools in Fiscal 2018 alone. This meant touching more than 46,000 school staff in 800+ locations.
- **Bandhan Key Customer Meets** - 7 large format key customer meets were organized in strategic markets across the country, with seniors CVBU leadership in attendance.
- During Fiscal 2018, the Lucknow and Pantnagar plants were certified for Word Class Quality (WCQ) Level 3. The Incident Per Thousand Vehicles ('IPTV') has decreased significantly over the last 3 years.

Passenger Vehicles

The domestic PV industry grew by 7.3% during Fiscal 2018, registering a volume of 3.25 million vehicles. The growth in industry was mainly driven by growth in overall economy of India coupled with easing financing cost. This growth was driven by top 4 manufacturers only.

The Company's PV business registered a growth of 19.0% with total volumes of 184,743 vehicles. The market share of the Company for Fiscal 2018 was 5.7%. The Company sold 134,860 cars with a marginal de-growth of 1.2%, and 49,883 Utility Vehicle (UV) with a growth of 165.6% as compared with Fiscal 2017. The growth in UV segment was driven by strong demand for Nexon and Hexa. The sharp increase in sales was achieved despite a sharp decline in the Fleet Segment, in which the Company has been traditionally a big player. Focus on individual customers helped in increasing share of individual customers to over 85%. In the field of customer service, the Company ranked second in J D Power Customer Satisfaction Index Survey, which is a significant improvement over last few years. Dealer Network upgradation and working capital availability were prevailing constraints in PV sales and the Company has been working with TMF Holdings Limited, its financing arm and other banks to plug these gaps.

During Fiscal 2018, the Company launched two new products namely Nexon and Tigor. Apart from these two main launches Tiago Wizz, Tiago AMT, Tigor AMT, Hexa Downtown and Zest limited editions were launched. All the newly launched cars experienced strong demand and wide acceptance from the market. After almost 6 years, one of the Company's products, namely, Tiago figured among top 10 brands in car industry becoming the second highest selling model in compact car segment. Apart from these regular models, the Company made significant progress in electrical vehicles. The Company won the tender for supply of 10,000 electric cars to Energy Efficiency Services Limited ('EESL').

The PV business has seen a sharp transformation in NPS from a negative score (-13) in Fiscal 2015 to positive score (14) in Fiscal 2018, significantly improving brand perception and pricing power of the PVs.

During Fiscal 2018, the Pune and Sanand PV plants were certified for WCQ Level 3 while UV plant certified for WCQ Level 2. The warranty IPTV is at all time lowest level. Both these parameters are indicators of continued focus on quality improvement.

Exports

The Company exported 52,404 vehicles (Fiscal 2017: 64,221 vehicles) comprising 50,106 units of CV and 2,298 units of PV during Fiscal 2018.

Export of CV dropped by 16.7% in Fiscal 2018 with 50,106 units exported compared to 60,184 units in Fiscal 2017. The prime reason for the drop in numbers was the drop in Total Industry Volume (TIV) in two of our key markets, Nepal (by 34% due to duty changes) and Sri Lanka (by 39% due to liquidity crisis). Export shipments to Bangladesh achieved record shipments and retails. Market Share in all SAARC markets either improved or have been strong. Political distresses in the Middle East, Kenya and South Africa and economic slowdown and currency devaluations in various markets in Africa affected volumes in these regions in Fiscal 2018. The shipments to ASEAN doubled in Fiscal 2018 as compared to Fiscal 2017, making it our fastest growing region.

In Fiscal 2018, the Company successfully bagged several prestigious orders, including 250 units of Xenon pickups, 200 units of LPTA 715 from the Myanmar Armed forces [making Myanmar Armed Forces the biggest customer of Xenon globally (1950 units)], 540 units of buses from ILOC, Senegal, 209 units from GVK EMRI Sri Lanka. Some of the key events in Fiscal 2018 were the launch of Prima in Philippines, Signa in Sri Lanka, Yodha in Nepal, Ultra buses in Tanzania, Ultra range in South Africa and unveiling of Ultra in Thailand and Indonesia. The complete CR range of ILCV was launched in Nepal.

Export of PV stood at 2,298 units compared to 4,037 units in the Fiscal 2017. Two large markets remain non-operational, mainly Sri Lanka due to high import duties, tight retail financing and South Africa due to the closure of the distribution channel.

During Fiscal 2018, launch of new models in Nepal and

Bangladesh helped the Company to accrue 44% of its PV export volumes from launches. The Company successfully launched the Hexa, Tigor and Nexon in Nepal, where the Tigor and Nexon were both 'Number One' sedan and CUV respectively. The Tata Motors' brand ranked 'Number Three' in the PV segment in Nepal, despite being present only in a limited number of high volume segments. In Bangladesh the Tiago AMT was ranked as 'Number One' hatchback.

JAGUAR LAND ROVER

Jaguar Land Rover (JLR) achieved record retail sales of 614,309 in Fiscal 2018, marginally higher by 1.7% compared to Fiscal 2017, primarily driven by the introduction of the Range Rover Velar, Jaguar E-PACE, the all new Land Rover Discovery coupled with solid demand for the long-wheel base Jaguar XFL in China and the award-winning Jaguar F-PACE. Year-on-year the higher retail sales volumes by 19.9% in China, 4.7% in North America and 3.4% in overseas markets were offset by lower sales in the UK by 12.8% and in Europe by 5.3% primarily driven by ongoing uncertainty surrounding diesel.

The total wholesale volumes (excluding sales from the China Joint Venture) were 545,298 in Fiscal 2018, up 2.0% compared to the 534,746 units in Fiscal 2017. The growth in wholesales primarily reflected the introduction of new models offset by lower wholesales of older models, notably the Jaguar XE and XF, Land Rover Discovery Sport, Range Rover Evoque and other models (including Range Rover and Range Rover Sport on account of the model year changeover).

Some of the key highlights of Fiscal 2018:

- All new Land Rover Discovery launched in the US and China in May 2017
- The new Jaguar XF Sportbrake unveiled in June 2017 with sales following shortly
- The Range Rover Velar commenced retail sales in July 2017 (Winner of World Car Design of the Year)
- Jaguar's new compact performance SUV, the E-PACE, commenced sales from November 2017
- Refreshed Range Rover and Range Rover Sport models (including plug in hybrids) were launched at the end of calendar 2017
- Production of the new long wheel base Jaguar XEL commenced at our China Joint Venture and went on sale in December 2017
- JLR announced that all models would offer an electrified option from 2020
- The Range Rover Velar, Jaguar F-PACE and E-PACE were all awarded a 5 star Euro NCAP rating in Fiscal 2018
- JLR's first battery electric vehicle, the Jaguar I-PACE was launched in March 2018
- Production of JLR's 4 cylinder 2 litre Ingenium petrol engine commenced production at our China joint venture in July 2017 for locally manufactured JLR vehicles in China

- Construction of the manufacturing plant in the city of Nitra in Slovakia advanced during Fiscal 2018 and the all new Discovery will be the first vehicle to be produced at the new plant from the end of calendar year 2018
- InMotion Ventures announced \$25m investment in rideshare company LYFT in June 2017
- JLR is taking part in the UK's first road tests for autonomous vehicles
- Long term strategic partnership with Waymo announced in March to develop a self-driving I-PACE for Waymo's driverless transportation service, with 20,000 units joining Waymo's fleet over 2020 and 2021
- JLR confirmed plans to open a software engineering centre and create 150 jobs in Shannon, Republic of Ireland, in 2018

TATA DAEWOO COMMERCIAL VEHICLES COMPANY LIMITED

Tata Daewoo Commercial Vehicles Company Limited (TDCV) during Fiscal 2018 sold 8,870 commercial vehicles, lower by 14.0% over Fiscal 2017, mainly due to decrease in domestic sales. TDCV sold 6,859 commercial vehicles in the domestic market lower by 22.0% as compared to sales in Fiscal 2017, primarily due to lower industry volumes and aggressive discounting and marketing strategies of importers considering their higher ordering level. The market share for both HCV and MCV segments put together was 26.5% as compared to 29.6% in Fiscal 2017. The export market scenario continued to remain challenging in Fiscal 2018 with factors like local currency depreciation against the US Dollar, continuing statutory regulations to reduce imports, the slowdown in Chinese economy impacting commodity exporting countries and increased dealer inventory. However, TDCV could increase its export sales to 2,011 commercial vehicles, 32.1% higher compared to 1,522 commercial vehicles in Fiscal 2017.

TATA MOTORS (THAILAND) LIMITED

Tata Motors (Thailand) Limited (TMTL) domestic retail sales in Fiscal 2018 was 958 units as compared to 1,094 units in Fiscal 2017. Offtake was 682 units in Fiscal 2018, as compared to 1,332 units in Fiscal 2017. The Thai Automobile Industry has witnessed a growth of 13.6% in Fiscal 2018 compared to flat growth last year, the addressable segment of TMTL declined by 3% compared to 14% growth last year. Fiscal 2018 saw the launch of Ultra Truck models. Super Ace was well received in the market resulting in market share improvement to 8.9% compared to 4.6% in Fiscal 2017. During the year, TMTL received its first order from Royal Thai Army to supply 1.25 ton Tata Trucks.

TATA MOTORS (SA) (PTY) LIMITED

Tata Motors (SA) (Pty) Ltd (TMSA) sold 773 chassis in the South African market in Fiscal 2018 compared to 697 chassis in Fiscal 2017 and exported 42 chassis in Fiscal 2018 compared to 6 chassis to Mozambique during Fiscal 2017. TMSA commenced manufacturing of the –Ultra 814 and is in the process of assembling new range of TDCV models in South Africa in Fiscal 2019.

TMF HOLDINGS LIMITED

TMF Holdings Limited (TMFHL) – a wholly owned subsidiary of the Company, is the vehicle financing arm under the brand

"TMF Holdings Limited". TMFHL's total disbursements (including refinance) increased by 65.7% at ₹15,406 crores in Fiscal 2018 as compared to ₹9,298 crores in Fiscal 2017. TMFHL financed a total 1,75,128 vehicles reflecting an increase of 47.3% over 1,18,883 vehicles financed in Fiscal 2017. Disbursements for CV increased by 60.6% and were at ₹11,448 crores (115,689 units) as compared to ₹7,127 crores (77,898 units) of Fiscal 2017 mainly due to higher disbursements in the M&HCV segment. Disbursements of PV increased by 14.3% to ₹2,345 crores (42,619 units) from a level of ₹1,542 crores (34,126 units). Disbursements achieved under refinance through Tata Motors Finance Services Limited (TMFSL), a 100% Subsidiary of TMFHL were at ₹1,614 crores (16,820 vehicles) as compared to ₹628 crores (6,859 vehicles) during Fiscal 2017.

TMFHL has increased its reach by opening limited services branches (called Spoke and Collections branches) exclusively in Tier 2 and 3 towns, which has helped in reducing the turnaround time to improve customer satisfaction. TMFHL had 267 branches at the end of Fiscal 2018. The book size of TMFHL's corporate lending business, which includes providing finance to the Company's dealers and vendors, increased by 179.6% from ₹1,150 crores in Fiscal 2017 to ₹3,215 crores in Fiscal 2018.

The gross NPA has decreased from 17.9% to 4% from Fiscal 2017 to Fiscal 2018, showing the improvement in credit quality of its portfolio.

MATERIAL CHANGES & COMMITMENT AFFECTING THE FINANCIAL POSITION

There are no material changes affecting the financial position of the Company subsequent to the close of the Fiscal 2018 till the date of this report.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There are no significant material orders passed by the Regulators or Courts or Tribunal, which would impact the going concern status of the Company and its future operation. However, Members attention is drawn to the Statement on Contingent Liabilities and Commitments in the Notes forming part of the Financial Statement.

RISK MANAGEMENT

The Risk Management Committee (RMC) is entrusted with responsibility to assist the Board in (a) overseeing the Company's risk management process and controls, risk tolerance and capital liquidity and funding (b) setting strategic plans and objectives for risk management and review of risk assessment of the Company (c) review the Company's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

The Committee operates as per its Charter approved by the Board and within the broad guidelines laid down in it. The Company has a Risk Management Policy in accordance with the provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("SEBI Listing Regulations"). It establishes various levels of accountability and overview within the Company, while vesting identified managers with responsibility for each significant risk.

The Board takes responsibility for the overall process of risk management in the organisation. Through Enterprise Risk Management Programme, business units and corporate functions address opportunities and the attendant risks with an institutionalized approach aligned to the Company's objectives. This is facilitated by internal audit. The business risk is managed through cross functional involvement and communication across businesses. The results of the risk assessment are thoroughly discussed with the Senior Management before being presented to RMC.

INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENT

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report, which forms part of this Report.

HUMAN RESOURCES

The Tata Motors Group employed 81,090 permanent employees as of Fiscal 2018 (Fiscal 2017: 79,558 employees). The Company employed 24,989 permanent employees as of Fiscal 2018 (Fiscal 2017: 26,035 employees). The Tata Motors Group has generally enjoyed cordial relations with its employees and workers.

The Company has labour unions for operative / worker grade employees at all the plants across India, except the Dharwad Plant. The Company has generally enjoyed cordial relations with its employees and unions at its factories and offices and have received union support in the Company's implementation of reforms that impact safety, quality, cost and productivity improvements across all locations. Employee wages are being paid in accordance with wage agreements that have varying terms (typically three to four years) at different locations.

With an objective of improving Organization Effectiveness, the Company undertook a structure change exercise with key guiding principles of Empowerment to the Business Units with clear accountability for business results, strong functional leadership and oversight for an effective maker-checker concept, improved and speedier decision making, agility and quick responsiveness to market, and strong cross functional alignment to drive quick issue resolution. The exercise has delayed the organization to 5 managerial levels below ExCom, making the organization lean and agile while rationalizing the span of control for key roles, increasing customer facing roles and providing scope for merit and vacancy based career development. The new organization structure went live on April 01, 2017.

As part of the structure change, a new product line organization has been created with complete P&L responsibility. Transactional roles have been identified across functions for transition to shared services, and therefore focus on core activities. Volumetric study has been performed to identify optimum manpower at each level, bringing the organizational spread closer to global standards. This, combined with the Job Evaluation exercise and Management Audit helped in establishing clear job description for each role and identifying the right talent for the roles.

Placement of Individuals in these roles done through external assessment (for mid and senior level roles) and internal assessments (for junior level roles) were conducted by ExCom and respective Senior Leadership teams. Individuals, based on their performance

and the experience they bring to the role, have been given bands within the levels. This will help us provide an opportunity to employees to progress from one band to another within the same level, thus managing career aspiration of individuals in the long run, in line with the promotion and progression policy.

Management is keen on ensuring smooth implementation of the new vision, mission and structure. Multiple FGDs were conducted during Fiscal 2018 with different cross section of employees and few course corrections, like providing level wise designation, concept of personal levels, protection of benefits, etc. was undertaken based on feedback received from employees.

Tata Motors Limited Employees Stock Option Scheme 2018 ("TML ESOP Scheme 2018" / "the Scheme")

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee and pursuant to the provisions of the Act and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, had at its meeting held on May 23, 2018, proposed adoption of Tata Motors Limited Employees Stock Option Scheme 2018 ("TML ESOP Scheme 2018" / "the Scheme"), in order to ring fence and incentivize key talent, approximately aggregating to 200 employees, forming 2% of the white collar population, for driving the long term objectives of the Company and ensuring that employee payoffs match the long gestation period of certain key initiatives and at the same time fostering ownership behavior and collaboration amongst employees.

Members' approval to the Scheme is sought, by way of Special Resolution, at Item No. 7 of the Notice. The salient features of the Scheme are as provided in the explanatory statement of the Notice.

Safety & Health – Performance & Initiatives

The Company is committed to provide a safe and healthy working environment for its employees and associates. It was ensured that none of our employees or workers are subjected to high incident or high risk disease related to their individual occupation. A company-wide occupational health and safety policy exist in order to ensure increased vigilance and awareness on health and safety. It was recognised that to achieve the target in safety it was crucial to internalize safety and engage with our employees.

The Indian operations achieved improved performance with Total Recordable Case Frequency Rate (TRCFR) being 1.14 against the target of 1.47 for the Fiscal 2018, the overall Safety Performance improved but recorded one fatality during Fiscal 2018.

The manufacturing plants across the Country are certified to ISO 14001 - Environment Management Systems and OHSAS 18001 – Occupational Health & Safety Management System. The CV manufacturing plants of the Company across India are certified to ISO 50001 - Energy Management System. The Company has undertaken several initiatives for resource conservation such as re-cycling of treated effluents back to process, energy, material recovery and co-processing from hazardous wastes through cradle to grave waste management principles and rainwater harvesting. Manufacturing plants generate in-house renewable power besides sourcing off-site green power. All the Company's sites are certified for GreenCo, except for the Sanand plant which is participating for GreenCo in June 2018.

The Company places equal emphasis on safety processes, behavioral safety and strives to create a positive safety culture towards achieving the ultimate goal of 'Zero Injury'. Safety is a primary focus area in daily management and safety parameters are part of the scorecard for Senior Leaders. Sessions on Road Safety were conducted at all offices across India engaging 1,000+ employees along with mentoring of Flexi Work Force under **"MY BUDDY"** program by Permanent Blue Collar Work force / Group leaders.

In line with Safety and Health Policy, to enhance safety standards of its business partners, the Company engaged it's upstream and downstream supply chain in the safety journey. The objective of such engagement is to raise the safety standards at Supplier and Dealer workshops. In addition to existing 16 safety standards, new standards / guidelines like Cell Phone Policy, CCTV Policy, Lone Working Standard, Industrial Hygiene Standard, Engineering Standards, Vehicle Usage & Replacement Guidelines were developed and rolled out to raise the level of safety.

The Company continued Campaign **'i-drive safe'** – an initiative on building a safe driving culture amongst its employee and associates and have trained them in Defensive Driving. **'My Road My Discipline'** Road Safety Week campaign during April 23 to 29 included Road Safety Celebrations conducted in all location including all Plants, Offices, Dealerships, Warehouses and Vendors.

'senSHETize'- A Company's initiative on Women's Safety Awareness: more than 1800 women employees underwent training focused on Women's Safety and Self-defense in 60 session across offices & plants.

Jagruiti – Safety Awareness Building Campaign for Workshop Managers is a year-long campaign focused on building awareness on safety and understanding of the Company's expectations on Dealers Workshop Safety. Jagruiti Safety Awareness campaign was done for channel partners PV and CV dealers covering Pan-India level.

In health area, as per the age band, specific health check-up of employees was organized and conducted. Health & well-being of aging workforce remained a prime concern and various health awareness programs and exhibitions across all locations were organized.

Jamshedpur, Lucknow and Pantnagar plants were certified for Food Safety Management System ISO 22000:2005. Remaining plants i.e. Dharwad and Sanand plants will be undergoing certification process in Fiscal 2019.

The Company continued to drive a number of initiatives to reduce its environmental footprint in Fiscal 2018. Our GreenHouse Gas (GHG) mitigation approach included driving energy conservation in manufacturing operations and generation / procurement of renewable energy. The Company consumed 99 million units of renewable electricity in its operations, which was 21% of total power consumed. This is 19% higher than renewable power consumed in Fiscal 2017. On Company's efforts to achieve 'Zero Waste to Landfill', the hazardous waste disposed to Common Facilities (for landfill / incineration) was lower by 18% over Fiscal 2017. The Company's approach to lowering the water consumption included driving water conservation in manufacturing operations, re-cycling treated effluent for re-use in process and harvesting

seasonal rainwater. The Company's performance on effluent recycling improved by 15% over Fiscal 2017.

On Sustainability, supply chain sustainability was one of the major initiatives undertaken during Fiscal 2018. Over 50 suppliers have been trained and provided handholding to improve sustainability performance and assessed towards sustainability expectations.

Circular economy, natural capital evaluation of key dependencies, design for environment, biodiversity assessment, life cycle assessment of products, climate adaptation study were some of the other initiatives the Company has taken in sustaining its business and planet.

JLR continues to drive health and safety through Destination Zero – A Journey to Zero Harm. The Company's commitment is reflected in JLR commitment with the key statement being "Our most valuable asset is our people, nothing is more important than their safety and wellbeing. Our co-workers and families rely on this commitment. There can be no compromise". The concept of 'Humanising' safety metrics and ensuring transparent reporting enables the journey to zero harm to continue to be highly visible. To support the wider ambition of zero harm as well as focusing on incidents, JLR also continued to mature the approach to wellbeing activities with a focus on mental health and the launch of the 'let's have the conversation' programme, designed to support open discussions on matters of mental health. The development of focused plans has ensured that each functional area, aligned at Board level, has a specific 'Destination Zero' Harm Plan. These have assisted each functional area to tailor their own plan of activities to lead improved safety and wellbeing within their own area of responsibility.

Performance on Loss Time Injuries (LTI) continued to show improving trend consistent with overall business improvement. A notable improvement was seen in manufacturing locations with around 47% improvement against last Fiscal performance. Many of the sites continued to celebrate sustained zero loss time injuries. The improved performance on safety was resultant of various initiatives taken throughout the year, such as improving quality of safety observations, effective implementation of existing safety management programs, robust safety training and defensive driving etc.

The business has gone through OHSAS 18001 - surveillance visits in Fiscal 2018, within all the UK locations and maintained its accreditation to this standard through a series of external assessments. Plans for migration to the new International Standard ISO 45001 was underway.

TMSA sustained good performance, leadership commitment and employee engagement in areas of Safety and Health during Fiscal 2018. **TDCV Korea** and **TMTL Thailand** continued leadership commitment and engagement with focus in areas of safety communication, risk assessment, improving capabilities of employees for emergency situations.

Prevention of Sexual Harassment

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on Prevention, Prohibition and Redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the

Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. The Company is committed to providing equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office premises or women service providers are covered under this Policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

During Fiscal 2018, the Company had received 13 complaints on sexual harassments, 12 of which have been substantiated and appropriate actions were taken. The remaining 1 complaint was received during mid March and is being investigated. The Company organized 148 workshops or awareness program against sexual harassment. There were no complaints pending for more than 90 days during the year.

Similar initiatives on Prevention of Sexual Harassment are in place across the Tata Motors Group of companies.

BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 34(2)(f) of the SEBI Listing Regulations, the Business Responsibility Report (BRR) initiatives taken from an environmental, social and governance perspective, in the prescribed format is available as a separate section of the Annual Report and also hosted on the Company's website www.tatamotors.com

FINANCE

During the year, the free cash flows for Tata Motors Group were negative ₹11,183 crores, post spend on capex, design and development of (₹35,039 crores). Tata Motors Group's borrowing as at March 31, 2018 stood at ₹88,951 crores (as at March 31, 2017: ₹78,604 crores). Cash and bank balances and investments in mutual funds stood at ₹48,974 crores (as at March 31, 2017: ₹51,119 crores). The consolidated net automotive debt to equity ratio stood at 0.15 as at March 31, 2018, as compared to 0.13 as at March 31, 2017.

Free cash flows were ₹1,339 crores for standalone operations of the Company. Spend on capex, design and development were ₹2,794 crores (net). The borrowings of the Company as on March 31, 2018 stood at ₹18,464 crores (as at March 31, 2017: ₹19,357 crores). Cash and bank balances including mutual funds stood at ₹2,312 crores (as at March 31, 2017: ₹2,764 crores). During Fiscal 2018, the Company issued rated, listed, unsecured NCDs of ₹1,500 crores.

At JLR, post spend on capex, design and development of GB£4,186 million (₹35,776 crores), the free cash flows were negative GB£1,045 million (₹8,931 crores) for Fiscal 2018. The borrowings of the JLR as on March 31, 2018, stood at GB£3,731 (₹34,238 crore) [as at March 31, 2017: GB£3,581 million (₹28,977 crores)]. Cash and financial deposits stood at GB£4,657 million (₹42,977 crores) [as at March 31, 2017: GB£5,487 million (₹44,400 crores)]. Additionally, JLR has undrawn committed long term bank lines of GB£1,935 million (JLR data as per IFRS).

During Fiscal 2018, JLR issued US\$500 million senior notes due in 2027 at a coupon of 4.50% per annum. The proceeds were for general corporate purposes, including support for JLR's ongoing growth and capital spending requirements.

During Fiscal 2018, TMFHL and its subsidiaries, Tata Motors Finance Limited and TMFSL, raised ₹3,231 crores by issuing NCDs. Bank borrowings through secured and unsecured term loans continued to be a major source of funds for long-term borrowing and raised ₹2,330 crores during Fiscal 2018. In Fiscal 2018, TMFHL Group short-term debt (net) increased by ₹5,008 crores and long-term debt (net) increased by ₹7 crores.

Tata Motors Group has undertaken and will continue to implement suitable steps for raising long term resources to match fund requirements and to optimise its loan maturity profile.

During Fiscal 2018, the Company's rating for foreign currency borrowings was retained to "Ba1"/Stable by Moody's and to "BB+"/Stable by Standard & Poor's. For borrowings in the local currency, the ratings was retained by CRISIL at "AA/ Positive" and by ICRA at "AA/ Positive". The Non-Convertible debentures and long term bank facilities i.e. (Buyers Credit and Revolving Credit Facility) rating by CARE was retained at "AA+/Stable". During the year, JLR's rating was retained by Moody's at "Ba1" with a change in outlook to Stable and was retained by Standard & Poor's at "BB+/Stable". For TMFHL, CRISIL has maintained its rating on long-term debt instruments and bank facilities to CRISIL "AA/ A1+/Positive" and ICRA has maintained its rating at "AA/Positive"

DEPOSITS

The Company has not accepted any public deposits during Fiscal 2018. There were no over dues on account of principal or interest on public deposits other than the unclaimed deposits as at the end of Fiscal 2018.

EXTRACT OF ANNUAL REPORT

As provided under Section 92(3) of the Act, the details forming part of the extract of the Annual Return in **Form MGT 9** is annexed as **Annexure - 1**.

INFORMATION TECHNOLOGY AND DIGITAL PRODUCT DEVELOPMENT INITIATIVES

a. Information Technology Initiatives

The Company has been a pioneer in adopting Information Technologies (IT) to enable the processes and create efficiencies in its systems. It has been working towards implementing the components of its IT roadmap to create a digital ready platform for transformation. It leverages its strong partnerships with product and services companies to harness the potential of IT for ensuring execution of business initiatives towards a competitive advantage.

The major highlights of IT at the Company are:

- Executed IT Cost Optimization across strategic out sourcing programs.
- Implemented GST framework and IT enablement to support business transactions.
- Enabled World Class Quality initiative of the Company through extending the implementation of Manufacturing Execution System.
- Digital initiatives like e-guru mobile app for dealers' sales force has helped create customer awareness about our products

- Focus on Supplier Relationship Transformation (SRT) through implementation of Supplier systems and inauguration of SRT training centre
- Continued greater collaboration with subsidiaries leveraging IT leadership
- Strengthening information security through multiple initiatives such as Network Access Control and preparation for ISO27000 framework
- IT team has led the Tata Group CIO Forum enabling synergies across Tata companies in the areas of Digital, Information Security and procurement

In the Company, IT was all about digital. Right from conception of programs such as high fidelity technology backends to connected vehicle roadmaps, the span of technology has never been this vast. All of it was geared towards constant evolution in the mobility (commute) space and providing the best in class technology experience to our end customers. Programs to enhance the sales executive interactions with customers, capturing just in time information from the ground, driving analytics decision making with cloud services and preparing for the next generation of customer relationship have been top focus areas.

Providing customized technology experience in the full lifecycle of a product, at all stakeholder touchpoints, is a niche which technology is aiming to achieve going forward. Digital platforms and services married to unique business use cases was the way forward. The technology team was in continuous research process of evaluating the best use of state of the art technologies for the benefit of our customers and providing a delight to all stakeholders.

With the readiness of our systems on the digital front, the Company is well equipped in its exciting phase of transformation journey by using cutting edge technology to provide customer centric products and services.

b. Digital Product Development Systems Initiatives

Significant improvements in key processes for product design and manufacturing planning domain had been accomplished through modification of existing processes and identifying few manual processes and converting them in digital engineering domain for better agility.

Achievements through various initiatives are listed below:

- 35 new knowledge based engineering applications were designed and implemented across various product design and safety domains. They were integrated with various tools such as to predict problematic reflections for driver and analyze different parameters for driver comfort, defining datum strategy ensuring first time right panel datum information for tooling and dimensional variation analysis.
- 100+ new productivity tools were developed and implemented across various product design and

validation domains. These tools helped large number of designers to increase their productivity significantly through identified levers such as quality checks for design, drawing automation and process automation. CAE tools for load body analysis, NVH assembly model creation, BIW static stiffness, structural connectivity, frequency response and harmonic fatigue, spot-weld failure prediction, axle bracket weld, etc, are few such examples. During concept evaluation phase of the product, advanced concept evaluation tool had been introduced and by this, various design concepts, including sections, shapes and load paths had been optimized.

- Digital process of Requirements Management Design Verification and Validation was implemented for various product development functions, to keep check on product validation status. This process ensures conformance of vehicle performance targets.
- Tool for design of Mastics and Sealants is developed and deployed for Body Engineering. It's inbuilt feature of linking vehicle body panels with sealants helps designer to quickly regenerate Mastics & Sealants for iterative design modifications. Application standardizes design methodology across vehicle platforms and provides more accurate weight and cost management of sealants at vehicle level.
- High Performance Computing (HPC) solution throughput of CAE simulation using General Purpose Graphics Processing Unit (GPGPU) computation technology has resulted in significant improvement for non-linear implicit simulations.
- Smart review tools were deployed delivering insights into engineering changes of vehicle data at each design release milestones, enabling project teams to review changes. In this, integrated approach of 3D Visualization, issue management and change comparison was helpful in accurate design reviews, identifying critical areas to focus and facilitated accurate decision making.
- 20 business processes were digitized by converting either paper based or email based processes into standardized online applications using homegrown pFirst platform.
- Implementation of MOST time analysis based tool at all locations for MOP (Measure of Performance) improvement by identifying VA (Value Added), ENVA (Essential Non-value Added), NVA (Non-value Added) activities and Lean Analytics.
- For all new vehicle programs, simulation and validation of critical manufacturing processes were carried out for detection of a potential problem in the early stage.
- Quality Application tools for mobility devices for monitoring real time part Design and Commercial

information of BOTS & CHAT software engines.
(Productivity Improvement)

Subsidiaries

Jaguar Land Rover (JLR):

JLR continue to develop the use of the latest Product Lifecycle Management (PLM) technologies to ensure JLR remains at the cutting edge of engineering and drive efficiencies into the process. The application of leading visualisation and systems engineering technologies enable full engagement in the product creation process, all with the aim of producing cars and SUVs that the customers will love for life.

Tata Daewoo Commercial Vehicles (TDCV):

TDCV continued the focus on quality and agility in its digital product creation processes. PLM software system was upgraded to a higher version giving enhanced features. The PLM processes were also improved, considering various business requirements and scenarios.

Tata Technologies Limited (TTL):

Tata Technologies Limited (TTL) has invested in state-of-the-art software and hardware technologies in alignment with business goals and customer needs, with the prime focus on delivering world class business solutions to the stakeholders. These investments have stemmed from the pressing need of the hour to keep the organization abreast with the latest technologies by enhancing and upgrading the digital eco-system.

TTL continued to augment and enhance the Virtual Desktop Infrastructure setup for engineering users to improve network and information security. It has also deployed Unified Communication Technology as part of enhanced collaboration platform. The deployment of Hyper Converged Infrastructure has resulted in better performance and high availability computing for enterprise applications hosted on hybrid cloud. As part of O2C (Opportunity to Cash) – a transformational program to standardize, streamline and improve the core processes and systems, TTL has invested on Salesforce for Sales Excellence, IPMS for Delivery Excellence and SAP Concur to refine travel and expense management. Upgrade to SAP HANA has resulted in better performance of SAP platform.

TTL has defined an Information Security roadmap to address latest threats and risks. Deployment of NexGen antivirus, virtual patching for servers, certifying a delivery centre for ISO 27001:2013 and monthly governance for critical accounts are some of the initiatives taken up last year. The end goal was to have an integrated security enterprise architecture which can cut down on complexity and, of course, increase security effectiveness.

Tata Motors European Technical Centre (TMETC):

TMETC continued the use of best in class hardware and software systems to enhance quality and agility in its product conceptualization, design and virtual validation domain.

TECHNOLOGY AND ENVIRONMENT FRIENDLY INITIATIVES

The Company continued to develop alternate technologies for sustainable mobility. The fleet of diesel series hybrid buses for Mumbai were delivered for operation. Six fuel cell buses were built, tested and one bus building was processed for demonstration and four fuel cell buses were under testing. Electric buses were tested under several prototypes of 9m and 12m developed by the Company, which would be ideal for passenger to commute in ecologically sensitive areas and urban centre. In addition, a fleet of small commercial electric vehicles were being built for last-mile passenger transport. The Company was working on several electrification, hybridization and alternate fuel technologies, which would be launched once the market is ready for them, in addition to developing technologies that improve the footprint of conventional powertrains. Some of the key initiatives in this direction are mentioned below:

- Development of LNG engines for city buses and medium duty trucks.
- Development of engine as well as engine calibrations for various bio-fuel blends.
- Development of semi-synthetic engine oil, which has increased oil drain intervals and improved fuel economy by 1-3%.
- Reduction of real drive emissions and CO₂ emission by incorporating 48 V Boost Recuperation System (BRS) in LCVs.

CONSOLIDATED FINANCIAL STATEMENTS

The Company announces its consolidated financial statement on a quarterly basis. As required under the SEBI Listing Regulations, consolidated financial statements of the Company and its subsidiaries, prepared in accordance with IndAS 110 issued by the Institute of Chartered Accountants of India, form part of the Annual Report and are reflected in the consolidated financial statements of the Company. Pursuant to Section 129(3) of the Act, a statement containing the salient features of the financial statements of the subsidiary companies is attached to the Financial Statements in **Form AOC-1**. Pursuant to the provisions of Section 136 of the Act, the Company will make available the said financial statements of the subsidiary companies upon the request by any member of the Company or its subsidiary companies. These financial statements of the Company and the subsidiary companies will also be kept open for inspection by any member at the Registered Office of the Company and could be available on the website of the Company.

SUBSIDIARY, JOINT ARRANGEMENTS AND ASSOCIATE COMPANIES

The Company has 96 subsidiaries (14 direct and 82 indirect) as at March 31, 2018, as disclosed in the accounts.

The Scheme of Amalgamation between one of the direct subsidiaries viz TML Drivelines Limited with the Company was approved by the Hon'ble National Company Law Tribunal and a certified true copy was received on April 26, 2018 and the

said scheme was operative from April 30, 2018. The financial statements of this subsidiary was merged with the standalone financial statements of the Company from the Appointed Date with effect from April 1, 2017.

During Fiscal 2018, the following changes have taken place in subsidiary / associates / joint venture companies:

Subsidiary companies formed/acquired:

- Jaguar Land Rover Ireland (Services) Limited was incorporated with effect from July 28, 2017.
- Jaguar Land Rover Taiwan Company Limited was incorporated with effect from November 17, 2017.
- Servicios GDV Mexico S.A. de C.V. was incorporated on October 2, 2017.
- GDV Imports Mexico SAPI de C.V. was acquired on October 2, 2017.
- Tata Technologies Europe Limited incorporated 100% stake in Escenda Engineering AB with effect from May 1, 2017.

Companies ceasing to be subsidiary companies / ceased operations:

- Cambric UK Limited dissolved with effect from May 23, 2017.
- Midwest Managed Services Inc. merged into Tata Technologies Inc with effect from February 28, 2018.
- TML Drivelines Limited merged with the Company and the Scheme of Merger and Arrangement was operative from April 30, 2018.

Name changes

- Tata Motors Finance Limited was renamed TMF Holdings Limited with effect from June 17, 2017.
- Sheba Properties Limited was renamed Tata Motors Finance Limited with effect from June 30, 2017.
- Servicios GDV Mexico S.A. de C.V. was renamed Jaguar Land Rover Servicios México, S.A. de C.V. with effect from December 11, 2017.
- GDV Imports Mexico SAPI de C.V. was renamed Jaguar Land Rover México, S.A.P.I. de C.V. with effect from December 11, 2017.
- Cambric Manufacturing Technologies (Shanghai) Co. Limited was renamed Tata Manufacturing Technologies (Shanghai) Co. Limited with effect from April 1, 2017.

Re-structuring

Shareholding in Tata Motors (Thailand) Limited increased from 95.28% to 95.49% with effect from June 6, 2017. Shareholding in Spark44 (JV) Limited increased from 50% to 50.50% with effect from August 31, 2017, making it and its 14 downstream companies indirect subsidiaries of the Company. Besides the above, JLR continued to integrate / restructure legal entities for manufacturing and for exporting globally as combined brand legal entities. Other than the above, there has been no material change in the nature of the business of the subsidiary companies.

Associate Companies

As at March 31, 2018, the Company has 9 associate companies, 4 joint ventures and 2 joint operations.

The Company has adopted a Policy for determining Material Subsidiaries in line with Regulation 16 of the SEBI Listing Regulations. The Policy, as approved by the Board, is uploaded on the Company's website (URL: <http://investors.tatamotors.com/pdf/material.pdf>).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGOING

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Act, read along with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed as **Annexure - 2**.

DIRECTORS

Appointment / Re-appointment

The Company has on the recommendation of NRC and in accordance with provisions of the Act and SEBI Listing Regulations, appointed Ms Hanne Sorensen (DIN: 08035439) as Additional and Independent Director on the Board for a tenure of 5 years with effect from January 03, 2018, subject to approval of Members at the Annual General Meeting (AGM). She shall hold office as Additional Director upto the date of the forthcoming AGM and is eligible for appointment as a Director.

As reported in the previous year, Mr Om Prakash Bhatt (DIN: 00548091) was appointed as Additional and Independent Director on the Board for a tenure of 5 years with effect from May 9, 2017, pursuant to Section 161 of the Act, read along with Rules framed thereunder, the Members had vide Ordinary Resolution approved at the AGM held on August 22, 2017, the appointment of Mr Bhatt as an Independent Director.

In accordance with provisions of the Act and the Articles of Association of the Company, Mr Guenter Butschek, Chief Executive Officer and Managing Director (DIN: 07427375) is liable to retire by rotation and is eligible for re-appointment.

The disclosures required pursuant to Regulation 36 of the SEBI Listing Regulations, Clause 1.2.5 of the Secretarial Standard are given in the Notice of AGM, forming part of the Annual Report and Schedule V of the SEBI Listing Regulations are given in the Corporate Governance Report, forming part of the Annual Report. Attention of the Members is also invited to the relevant items in the Notice of the AGM.

Cessation

Mr Ravindra Pisharody (DIN: 01875848) vide letter dated June 5, 2017, tendered his resignation as Executive Director (Commercial Vehicles) of the Company, but continued to serve his term of office for another 6 months in lieu of his contractual severance notice period, ensuring seamless transition in the business operations of the Company. Mr Pisharody concluded his contractual severance notice period on September 30, 2017.

Dr Raghunath Mashelkar, Independent Director (DIN: 00074119), on attaining the age of 75 years retired on December 31, 2017, in accordance with Governance Guidelines on Board Effectiveness.

The Board of Directors places on record their appreciation for contributions made by Mr Pisharody and Dr Mashelkar during their tenure.

Independent Directors

All Independent Directors of the Company have given declarations under Section 149(7) of the Act, that they meet the criteria of independence as laid down under Section 149(6) of the Act and Regulation 16 of the SEBI Listing Regulations.

Key Managerial Personnel

The Key Managerial Personnel (KMPs) of the Company during Fiscal 2018 are:

- Mr Guenter Butschek, Chief Executive Officer and Managing Director
- Mr Satish Borwankar, Executive Director and Chief Operating Officer
- Mr Pathamadai Balachandran Balaji, Group Chief Financial Officer (with effect from November 14, 2017)
- Mr Hoshang Sethna, Company Secretary
- Mr. Ravindra Pisharody, Executive Director – Commercial Vehicles (upto September 30, 2017)
- Mr C Ramakrishnan, Group Chief Financial Officer (upto September 30, 2017)

During the year, Mr C Ramakrishnan concluded his tenure as a Group Chief Financial Officer and KMP with effect from September 30, 2017 and the Board of Directors, pursuant to the said cessation, approved appointment of Mr P.B. Balaji as Group Chief Financial Officer and KMP of the Company with effect from November 14, 2017.

CORPORATE GOVERNANCE

At the Company, we ensure that we evolve and follow the corporate governance guidelines and best practices sincerely, to boost long-term shareholder value and to respect minority rights. The Company considers it an inherent responsibility to disclose timely and accurate information regarding its operations and performance, as well as the leadership and governance of the Company.

A separate section on Corporate Governance and the certificate from the Practicing Company Secretary confirming compliance of Corporate Governance norms as stipulated in Regulation 34 read along with Schedule V of the SEBI Listing Regulations, giving information pertaining to the Board, number of Board meetings held, Committee of the Board and other details of relevance forms part of this Report.

Governance Guidelines

During the year under review, the Company adhered to the Governance Guidelines on Board Effectiveness. The Governance

Guidelines cover aspects related to composition and role of the Board, Chairman and Directors, Board diversity, definition of independence, Director term, retirement age and Committees of the Board. It also covers aspects relating to nomination, appointment, induction and development of Directors, Director Remuneration, Subsidiary oversight, Code of Conduct, Board Effectiveness Review and Mandates of Board Committees.

Selection and procedure for nomination and appointment of Directors

The NRC is responsible for developing competency requirements for the Board based on the industry and strategy of the Company. The Board composition analysis reflects in-depth understanding of the Company, including its strategies, environment, operations, financial condition and compliance requirements.

The NRC conducts a gap analysis to refresh the Board on a periodic basis, including each time a Director's appointment or re-appointment is required. The Committee is also responsible for reviewing and vetting the CVs of potential candidates vis-à-vis the required competencies, undertake a reference and due diligence and meeting potential candidates, prior to making recommendations of their nomination to the Board. At the time of appointment, specific requirements for the position, including expert knowledge expected, is communicated to the appointee.

Criteria for Determining Qualifications, Positive Attributes and Independence of a Director

The NRC has formulated the criteria for determining qualifications, positive attributes and independence of directors in terms of provisions of Section 178 (3) of the Act and Regulation 19 read along with Schedule II of SEBI Listing Regulations, which is annexed as **Annexure - 3**.

REMUNERATION POLICY

The Company has in place a Remuneration Policy for the Directors, Key Managerial Personnel and other employees, pursuant to the provisions of the Act and Regulation 19 of SEBI Listing Regulations, the same is annexed as **Annexure - 4**.

BOARD EVALUATION

The annual evaluation process of the Board of Directors ("Board"), Committees and individual Directors was carried out in the manner prescribed in the provisions of the Act, Guidance Note on Board Evaluation issued by Securities and Exchange Board of India on January 5, 2017 and as per the Corporate Governance requirements prescribed by SEBI Listing Regulations.

The performance of the Board, Committees and individual Directors was evaluated by the Board seeking inputs from all the Directors. The performance of the Committees was evaluated by the Board seeking inputs from the Committee Members. The NRC reviewed the performance of the individual Directors, a separate meeting of Independent Directors was also held to review the performance of Non-Independent Directors; performance of the Board as a whole and performance of the Chairperson of the Company, taking into account the views of Managing Director / Executive Directors and Non-Executive Directors. This was followed by a Board meeting that discussed

the performance of the Board, its Committees and individual Directors.

The criteria for performance evaluation of the Board included aspects like Board composition and structure; effectiveness of Board processes, information and functioning, etc. The criteria for performance evaluation of Committees of the Board included aspects like composition and structure of the Committees, functioning of Committee meetings, contribution to decision of the Board, etc. The criteria for performance evaluation of the individual Directors included aspects on contribution to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, integrity etc. In addition, the Chairman was also evaluated on the key aspects of his role.

Significant findings of the Fiscal 2018 Board effectiveness evaluation included providing regular updates to the Board on projects undertaken to support cost and productivity improvements along with a monthly information report thereon, inclusion of educative topics in the agenda on technology, governance, regulations which could impact business and continuing efforts to balance the Board agenda with focus on budgets, strategic issues. Critical suggestions to improve the Company's business included, augmenting the succession pipeline, harmonizing interactions and integrating synergies that could be derived between the Company and JLR Group. The Board also monitors action taken on the findings and suggestions made in the process of the Board evaluation.

Familiarisation programme for Independent Directors

The details of the Familiarisation Programme for Independent Directors with the Company in respect of their roles, rights, responsibilities in the Company, nature of the industry in which Company operates, business model of the Company and related matters are put up on the website of the Company at (URL: <http://investors.tatamotors.com/pdf/familiarisation-programme-independent-directors.pdf>).

VIGIL MECHANISM

The Company has adopted a Whistle Blower Policy establishing vigil mechanism, to provide a formal mechanism to the Directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee. It is affirmed that no personnel of the Company has been denied access to the Audit Committee. The policy of vigil mechanism is available on the Company's website at (URL: <http://investors.tatamotors.com/pdf/whistle-blower-policy.pdf>).

PARTICULARS OF EMPLOYEES

Disclosure pertaining to remuneration and other details as required under Section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to the Report as **Annexure - 5**.

The statement containing particulars of top 10 employees and the employees drawing remuneration in excess of limits prescribed under Section 197 (12) of the Act read with Rule 5(2)

and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in the Annexure forming part of the Report. In terms of proviso to Section 136(1) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. The said statement is also open for inspection at the Registered Office of the Company. Any member interested in obtaining a copy of the same may write to the Company Secretary.

CORPORATE SOCIAL RESPONSIBILITY

The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure - 6** of this Report in the format prescribed in the Companies (CSR Policy) Rules, 2014. The Policy is available on Company's website at (URL: <http://investors.tatamotors.com/pdf/csr-policy.pdf>).

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/ arrangements/ transactions entered by the Company during the year with related parties were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Act and SEBI Listing Regulations. The prior approval of the Audit Committee was sought for all related party transactions. The Company has adopted a policy on Related Party Transactions which even provides for the parameters to grant omnibus approval(s) by the Audit Committee and is available on the website at (URL: <http://investors.tatamotors.com/pdf/rpt-policy.pdf>).

A statement on related party transactions specifying the details of the transactions, pursuant to each omnibus approval granted, have been placed on a quarterly basis for review by the Audit Committee.

During the Fiscal 2018, there were no related party transactions of the Company with its Directors and Key Managerial Personnel or their relatives, its holding, subsidiary or associate companies as prescribed under Section 188 of the Act and SEBI Listing Regulations and therefore, the Company is not required to report in the prescribed Form AOC-2 and does not form part of the Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The details of Loans, Guarantees or Investments made during Fiscal 2018 are given below:

Name of Companies	Nature of Transactions	₹ in crores)	
		Loans	Investment
TMF Holdings Limited	Investment in shares	-	300.00
Tata Steel Limited	Investment in shares	-	41.63
JT Special Vehicle Private Limited	Investment in shares	-	2.50

Note:

During Fiscal 2018, the Company has not given guarantee to any of its subsidiaries, joint ventures and associate companies.

AUDIT

Statutory Audit

In the 72nd Annual General Meeting (AGM) held on August 22, 2017 M/s B S R & Co. LLP, Chartered Accountants (B S R LLP) (ICAI Firm No. 101248W/W-100022) was appointed as Statutory Auditors of the Company for a tenure of 5 years subject to ratification of their appointment at every subsequent AGM. The Ministry of Corporate Affairs has vide notification dated May 7, 2018 obliterated the requirement of seeking Member's ratification at every AGM on appointment of Statutory Auditor during their tenure of 5 years. B S R LLP have under Section 139(1) of the Act and the Rules framed thereunder furnished a certificate of their eligibility.

The report of the Statutory Auditor forming part of the Annual Report, does not contain any qualification, reservation, adverse remark or disclaimer. The observations made in the Auditor's Report are self-explanatory and therefore do not call for any further comments.

Cost Audit

As per Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a Cost Accountant. The Board of Directors of the Company has on the recommendation of the Audit Committee, approved the appointment of M/s Mani & Co., a firm of Cost Accountants in Practice (Registration No.000004) as the Cost Auditors of the Company to conduct cost audits pertaining to relevant products prescribed under the Companies (Cost Records and Audit) Rules, 2014 for the year ending March 31, 2019. The Board of Director on recommendation of the Audit Committee approved remuneration of ₹5 lakhs plus applicable taxes and out of pocket expenses, subject to ratification of their remuneration by the Members at the forthcoming AGM.

M/s Mani & Co. have, under Section 139(1) of the Act and the Rules framed thereunder furnished a certificate of their eligibility and consent for appointment.

M/s Mani & Co., have vast experience in the field of cost audit and have conducted the audit of the cost records of the Company for the past several years.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Director appointed M/s Parikh & Associates, a firm of Company Secretaries in Practice to conduct the Secretarial Audit of the Company for year ended March 31, 2018. The Report of the Secretarial Audit is annexed herewith as **Annexure- 7**.

The Secretarial Audit Report does not contain any qualification, reservations, adverse remarks and disclaimer.

The Securities and Exchange Board of India (SEBI) have vide Order dated March 6, 2018 issued directions for the Company to conduct an internal inquiry within 3 months into the leakage of information relating to its financial results for the quarter ended December 2015, take appropriate actions against those responsible and to submit its report within 7 days thereafter. The Company has appointed an expert to conduct an independent investigation to submit its report to the Audit Committee of the Company which will be submitted to

SEBI in a timely manner.

The Company has paid a penalty of ₹5.60 lakhs each levied by the BSE Limited and the National Stock Exchange of India Limited in respect of delay in filing of listing application for 266 Ordinary Share and 80 'A' Ordinary Shares allotted out of shares held in abeyance on settlement of an inter-se dispute amongst the shareholders. This penalty has been paid 'under protest' subsequent to various representation made by the Company.

SECRETARIAL STANDARDS

The Institute of Company Secretaries of India had revised the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) with effect from October 1, 2017. The Company has devised proper systems to ensure compliance with its provisions and is in compliance with the same.

DIVIDEND DISTRIBUTION POLICY

Pursuant to SEBI's notification dated July 8, 2016, the Board of Directors of the Company have formulated a Dividend Distribution Policy ("the policy"). The detailed policy is annexed to this Report as **Annexure-8** and is also available on our website (URL: <http://investors.tatamotors.com/pdf/dividend-distribution-policy.pdf>)

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost, external agencies and secretarial auditors, including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during Fiscal 2018.

Accordingly, pursuant to sub-section 3(c) and Section 134 of the Act, the Board of Directors, to the best of their knowledge and ability, confirm:

- (a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (b) that we have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- (c) that proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the annual accounts have been prepared on a going concern basis;
- (e) that proper internal financial controls were laid down and that such internal financial controls are adequate and were operating effectively*; and
- (f) that proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

**please refer to the Section "Internal Control Systems and their Adequacy in the Management Discussion and Analysis".*

ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to all of the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's performance. The Directors would also like to thank the employee unions, shareholders, customers, dealers, suppliers, bankers, Government and all other business associates for their continuous support to the Company and their confidence in its management.

On behalf of the Board of Directors

N CHANDRASEKARAN
Chairman
(DIN: 00121863)

Mumbai, May 23, 2018