MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Tata Motors Business: The Indian economy, which recorded a growth rate of 8.6% during FY 2010-11, started showing softening indicators in second half of FY 2010-11. This was mainly due to inflationary pressures and continued anti-inflationary monetary stance taken the by Reserve Bank of India (RBI). During the current year, the inflation continued to remain at higher levels with headline Wholesale Price Index (WPI) staying at above 9% during April-November 2011, and moderated to 6.9% by end March 2012. On the foreign exchange front, higher crude oil prices, lower net capital inflows and lower export growth in the last six months of the year due to worsening global economic scenario, adversely affected the Indian currency. The rate of Index of Industrial growth (IIP) decelerated from 8.2% in FY 2010-11 to 2.8% in current year. Due to these factors, India's growth rate is estimated to be lower at 6.9% during FY 2011-12.

The automotive industry was affected by the overall macro economic factors discussed above. In particular, the demand was impacted due to higher interest rates and slowing economy. Further, sharp increases in petrol prices (after deregulation in June 2010) adversely impacted the demand for petrol vehicles. However, diesel prices did not move in tandem. This created a gradual shift in demand from petrol cars to diesel cars. There was a spurt in demand for diesel cars in the last six months of the current year, resulting in supply constraints on diesel vehicles.

On the above background, the Indian auto industry grew at a moderate rate of 7.2% in FY 2011-12, with 19.2% growth in Commercial Vehicles and 3.6% growth in Passenger Vehicles.

The Company's total domestic sales grew by 10.9% to 8,63,248 vehicles in FY 2011-12. Commercial Vehicle sales increased by 15.7% to 530,204 units, while Passenger Vehicles sales grew by 4% to 333,044 units. The competitive scenario intensified as the existing OEM's launched new variants to protect market share and new entrants sought to gain a foothold in the market. The Company maintained leadership with a market share of 59.4% in the Commercial Vehicle segment despite international OEM's entering the market. For Passenger Vehicles, in a highly competitive environment, the Company was successful in maintaining its market share of 13.1%. The Company's exports grew by 8.6% to 63,105 units during the year. The growth was driven by focus on the emerging markets in SAARC, South Asia and Africa.

The industry performance in the domestic market during FY 2011-12 and the Company's market share is given below (Table - 1):-

Table - 1

Category	Industry sales			Company Sales			Market Share	
	FY 2011-2012	FY 2010-2011	Growth	FY 2011-2012	FY 2010-2011	Growth	FY 2011-2012	FY 2010-2011
Commercial Vehicles	892,349	748,659	19.2%	530,204	458,288	15.7%	59.4%	61.2%
Passenger Vehicles	2,538,418	2,450,356	3.6%	333,044	320,252	4.0%	13.1%	13.1%
Total	**3,430,767**	**3,199,015**	**7.2%**	**863,248**	**778,540**	**10.9%**	**25.2%**	**24.3%**

Source: Society of Indian Automobile Manufacturers report and Company Analysis
Commercial vehicles Include V2 Van sales;
Passenger vehicles include Fiat and Jaguar Land Rover branded cars

Industry Structure and Developments

Commercial Vehicles:

During the current year, the domestic Commercial Vehicle market, recorded a growth of 19.2% with the highest ever sales of 892,349 vehicles. The Medium and Heavy Commercial Vehicles (M&HCV) sector grew by 6.5%, while growth of Light Commercial Vehicle (LCV) segment was at 29.1%. The lower growth of agriculture, manufacturing and construction, mainly contributed to lower growth in Commercial Vehicle segment at 19.2% in current year as compared to 27.3% in FY 2010-11 over FY 2009-10. Further, M&HCV demand was mainly affected by higher interest rates and restricted availability of financing support, due to tight monetary policy by the RBI.

The domestic industry performance during FY 2011-12 and the Company's share are given below (Table - 2):-

Table - 2

Category	Industry sales			Company Sales			Market Share	
	FY 2011-2012	FY 2010-2011	Growth	FY 2011-2012	FY 2010-2011	Growth	FY 2011-2012	FY 2010-2011
M&HCV	348,773	327,583	6.5%	207,086	196,651	5.3%	59.4%	60.0%
LCVs	543,576	421,076	29.1%	323,118	261,637	23.5%	59.4%	62.1%
Total	**892,349**	**748,659**	**19.2%**	**530,204**	**458,288**	**15.7%**	**59.4%**	**61.2%**

Source: Society of Indian Automobile Manufacturers report and Company Analysis
LCVs include V2 Van sales

The Company's sale of Commercial Vehicle in the domestic and international markets was 585,283 units representing a growth of 15.1% over the previous year. The growth was driven by focused product actions, enhancement of quality of the service network, increased service outlets, and financing options suited to customer needs. However, the domestic market share during the year was 59.4%, lower by 180 basis points, compared to 61.2% last year.

The LCV segment continued to drive growth for the Company. The Company's sales increased by 23.5% to 323,118 units from 261,637 units in FY 2010-11, due to improved performance in the pickup segment and ramp up of production in the Pantnagar plant aided volume growth in the LCV truck segment. The commercial production has commenced at Dharwad. The major launches in FY 2011-12 were Ace Zip and Magic Iris. The sales of the Tata Ace continued to increase year-on-year. However, the entry of new competition in the small commercial vehicle category, and the expanding market size in this segment, resulted in lowering of the Company's market share in LCV segment to 59.4% in FY 2011-12 from 62.1% in FY 2010-11.

In M&HCV category, the Company sold 207,086 units during FY 2011-12, which resulted in a market share of 59.4%. The economic crisis in the Euro Zone and political unrest in the Middle East, mainly contributed to a slowdown in the global economy. The real GDP growth in the Euro Zone dropped successively each quarter of the year. SAARC and ASEAN countries, however, continued to grow steadily. In particular, the growth in Small Commercial Vehicle segments in these geographies was robust. The new launches during FY 2011-12 include the Tata Divo, a super-luxury inter-city bus and new variants in the Tata Starbus Ultra range.

The Company also showcased a fuel-cell bus and other advanced hybrid technologies at the New Delhi Auto Expo in January 2012.

Passenger Vehicles:

The growth of Passenger Vehicles segment decelerated to 3.6%, during the year; much lower as compared to the Commercial Vehicles. Consequent to the inflation and slowing economy, there was a decrease in disposable income, impacting demand for cars. Petrol prices increased substantially during the year, increasing the total cost of ownership of petrol cars. This resulted into deferment of purchases and shift in demand to diesel vehicles. Further, the increase in interest rates adversely impacted car financing, taking toll on demand.

The industry performance and the Company's performance in the Passenger Vehicle segment are given below **(Table - 3)**:-

During the year, the Company recorded its highest ever sales of 333,044 vehicles in the domestic market, recording a growth of 4.0% over last year, through launch of a variety of new products – the Indica Vista and the Sumo Gold BS4 variant. The Indigo eCS and the Indica eV2, with segment-leading fuel efficiencies, continued to gain traction and market share as fuel prices increased. The Venture, launched last year, continued to receive good market response.

Nano sales continued to grow with volumes increasing by 5.8% over last year to 74,521 units. With focused initiatives to

Table - 3

Category	Industry sales			Company Sales*			Market Share	
	FY 2011-2012	FY 2010-2011	Growth	FY 2011-2012	FY 2010-2011	Growth	FY 2011-2012	FY 2010-2011
Micro	74,521	70,431	5.8%	74,521	70,431	5.8%	100.0%	100.0%
Compact	856,072	834,271	2.6%	176,104	159,412	10.5%	20.6%	19.1%
Mid-size	204,729	174,074	17.6%	19,645	38,167	-48.5%	9.6%	21.9%
Executive	41,557	49,269	-15.7%	4,796	8,536	-43.8%	11.5%	17.3%
Premium and Luxury	12,027	12,097	-0.6%	985	425	131.8%	8.2%	3.5%
Utility Vehicles	368,272	315,417	16.8%	49,035	41,968	16.8%	13.3%	13.3%
Vans (Note a)	152,019	161,939	-6.1%	7,958	1,313	506.1%	5.2%	0.8%
Total (Note b)	**2,538,418**	**2,450,356**	**3.6%**	**333,044**	**320,252**	**4.0%**	**13.1%**	**13.1%**

*Source: Society of Indian Automobile Manufacturers report and Company Analysis. * including Fiat & Jaguar Land Rover branded cars.*

Note (a) Excludes V2 Van sales.

Note (b) Total Industry nos. include sales in other segments increase reach and penetration, by appointing Nano exclusive dealers, the Company is targeting rural customers to drive growth. During FY 2011-12, the Company launched Nano 2012, with several new features, including improved fuel efficiency. The Company also started exporting Nano to neighbouring countries such as Nepal and Sri Lanka.

The Mid-size and Utility Vehicles category, recorded 17.6% and 16.8% growth on the back of demand for diesel cars and new product / variants. The Company's sales in the mid size category suffered as competition severely intensified with multiple new launches from other industry players in this segment.

The Company recorded a healthy growth of 16.8% in Utility Vehicle segment, at par with industry growth during the year, with sales increasing to 49,035 units. Increase in sales of the Sumo post the launch of the BS4 variant of the Sumo Gold combined with increase in the sales of the Safari, contributed to this growth. The new Safari Storme was displayed at the New Delhi Auto Expo in January 2012 to be launched in the FY 2012-13.

The Company sold 17,129 Fiat cars in FY 2011-12, with a sale of 4,796 Linea and 12,297 Grande Punto. Fiat stood at the tenth position among the major car players in the country. The Tata-Fiat dealer network was upgraded to 170 dealer facilities across 129 cities as of March 31, 2012. Fiat was ranked ninth in the JD Power 2011 India Customer Service Index Survey. During the year, the Company launched the Fiat Linea 2012 and the Fiat Grande Punto. In May 2012, JV partners decided that in order to further develop the Fiat brand in India, management control of Fiat's commercial and distribution activities will be handed over to a separate Fiat Group owned company in India.

The Company sold 2,274 Jaguar Land Rover (JLR) vehicles through its exclusive outlets in India registering an impressive growth of 91%. The Company launched the globally popular Range Rover Evoque. During the year, the Company expanded its dealership network to 13 outlets covering 11 cities. The Company commenced the local assembly of the Land Rover Freelander 2, at Pune in May 2011, which has been received extremely well in India.

Tata Motors Sales and Distribution: The sales and distribution network in India as of March 31, 2012, comprises approximately 2,150 sales contact points for the Passenger and Commercial Vehicle businesses. The Company formed a 100% subsidiary, TML Distribution Company Ltd (TDCL) in March 2008, to act as a dedicated distribution and logistics management company to support the sales and distribution operations of vehicles in India. The Company believes that this has improved the efficiency of our selling and distribution operations and processes.

TDCL provides distribution and logistics support for vehicles manufactured at our facilities. TDCL helps us improve planning, inventory management, transport management and timely delivery. The Company has deployed a Customer Relations Management (CRM) system at all our dealerships and offices across the country. The system is certified by Oracle as the largest Siebel deployment in the automotive market. The combined online CRM system supports users both within the Company and among the distributors in India and abroad.

The Company provides financing support through the wholly-owned subsidiary, Tata Motors Finance Ltd (TMFL), to end customers and independent dealers, who act as the Company's agents. During FY 2011-12, approximately 27% of vehicle unit sales in India were made by the dealers through financing arrangements provided by TMFL as compared to 21% in FY 2010-11. The total vehicle finance receivables (consolidated) outstanding as at March 31, 2012 and 2011 amounted to ₹15,747.67 crores and ₹10,095.62 crores, respectively.

The Company uses a network of service centers on highways and a toll-free customer assistance center to provide 24-hour on-road maintenance (including replacement of parts) to vehicle owners. The Company believes that the reach of the sales, service and maintenance network, provides us with a significant advantage over the competitors.

Tata Motors Competition: The Company faces competition from various domestic and foreign automotive manufacturers in the Indian automotive market. Improving infrastructure and robust growth prospects compared to other mature markets, are now attracting a number of automotive OEM's to India. These companies have either formed joint-ventures with local partners or have established independently-owned operations in India. The global competitors bring international experience, global scale, advanced technology and significant financial support, for the operations in India. The competition is likely to further intensify in the future.

The Company has designed its products to suit the requirements of the Indian market based on specific customer needs such as safety, driving comfort, fuel efficiency and durability. The Company believes that its vehicles are suited to the general conditions of Indian roads, the local climate and comply with applicable environmental regulations currently in effect. The Company also offers a wide range of optional configurations to meet the specific needs of its customers. The Company is developing products to strengthen its product portfolio in order to meet customer expectations of aspiring for world-class products.

Tata Motors Exports: The Company continues to focus on its export operations. The Company markets its commercial and passenger vehicles in several countries in Europe, Africa, the Middle East, South East Asia and South Asia. The exports of vehicles manufactured in India increased by 8.6% in FY 2011-12 to 63,105 units from 58,089 units in FY 2010-11, with significant economic improvement in our major international markets such as the Indian sub-continent, South Africa and the Middle East.

For FY 2011-12, the Company's top five export destinations accounted for approximately 76% and 85% of the exports of commercial vehicles and passenger vehicle units, respectively. The Company continues to strengthen its position in the geographic areas it is currently operating in and exploring possibilities of entering new markets with similar market characteristics to the Indian market.

The Company has set up a network of distributors in almost all countries where the vehicles are exported. The distribution network includes appointing local dealers for sales and servicing products in the respective regions. The Company has also deputed its representatives overseas to support sales and services and to identify opportunities.

Jaguar Land Rover business: On June 2, 2008, the Company acquired the global business relating to Jaguar Land Rover which include three major production facilities and two advanced design and engineering centers in United Kingdom, a worldwide sales and dealership network, intellectual property rights, patents and trademarks. Since then, Jaguar Land Rover has significantly consolidated its position in the premium car segment.

The strengths of Jaguar Land Rover include its internationally recognized brands, strong product portfolio of award-winning luxury and high performance cars and premium all-terrain vehicles, global distribution network, strong product development and engineering capabilities, and a strong management team. The total sales of Jaguar Land Rover are set forth in the table below **(Table - 4)**:-

Jaguar designs, develops and manufactures premium luxury saloons and sports cars, recognised for their performance, design and unique British style. Jaguar's range of products comprises the XK sports car (coupe and convertible), the XF saloon and the new XJ saloon.

The current XK was launched in 2009, and the XK range was significantly revised with a new look for 2011. The new XKR-S, which was unveiled at the Geneva Motor Show on March 1, 2011, is the sporting flagship for Jaguar revitalised XK line-up. The XKR-S is the fastest and most powerful production sports car that Jaguar has ever built.

The XF, launched in 2008, is a premium executive car that merges sports car styling with the sophistication of a luxury

Table - 4

	FY 2011-12		FY 2010-11	
	Units	**%**	**Units**	**%**
Jaguar	54,039	17.2%	52,933	21.8%
Land Rover	2,60,394	82.8%	2,43,620	78.2%
Total	3,14,433	100.0%	1,90,628	100.0%

saloon. The Jaguar XF is Jaguar's best-selling model across the world by volume and it has garnered more than 80 international awards since its launch, including being named "Best Executive Car" by What Car? Magazine, in every year since its launch. For 2012 model year, fundamental design changes to the front and rear aim to bring a more assertive, purposeful stance to the vehicle, closer to the original C-XF concept car. In addition, the Jaguar 2012 model year line-up included a new four-cylinder 2.2-litre diesel version of the XF with Intelligent Stop-Start Technology, making it the most fuel-efficient Jaguar yet. In 2012, Jaguar has announced a further expansion of the XF range with the introduction of the Sportbrake, due later in 2012. The Sportbrake has increased rear load space to appeal to a wider range of buyers.

The XJ is Jaguar's largest luxury saloon vehicle, powered by a choice of supercharged and naturally aspirated 5.0-litre V8 petrol engine and a 3.0-litre diesel engine. A 3.0-litre V6 petrol engine was launched in the Chinese market in early 2011, which has driven sales growth in the year. Using Jaguar's aerospace inspired aluminium body architecture, the XJ's lightweight aluminium body provides improved agility and economy. In the year, the XJ has been upgraded to include a new Executive Package and a Rear Seat Comfort package, which makes the Jaguar flagship model the ultimate executive limousine experience.

The Jaguar C-X16 concept car was showcased during 2011 and it was announced at the New York Auto Show that this will be the basis of the new F-type, a two seater sports car due for launch in the spring of 2013. The car will make extensive use of aluminium in its build, based on the expertise Jaguar Land Rover has developed in previous models.

Land Rover designs, develops and manufactures premium all-terrain vehicles that aim to differentiate themselves from the competition by their simplicity, ability, strength and durability. Land Rover's range of products comprises the Defender, Freelander 2 (LR2), Discovery 4 (LR4), Range Rover Evoque, Range Rover Sport and Range Rover.

Land Rover products offer a range of powertrains, including turbocharged V6 diesel, V6 petrol engines and V8 naturally aspirated and supercharged petrol engines, with manual and automatic transmissions.

The Defender is Land Rover's toughest off-roader, and is recognised as a leading vehicle in the segment targeting extreme all-terrain abilities.

The Freelander 2 is a versatile vehicle for both urban sophistication and off-road capability. For the 2012 Model Year, Jaguar Land Rover offered a choice of 4 Wheel Drive and 2 Wheel Drive, with an eD4 engine capable of 4.98L/100km which was especially well received in major European markets.

The Discovery 4 is a mid-size SUV that features genuine all-terrain capability. A range of new features, including the new 3.0-litre LR-TDV6 diesel engine, helped the Discovery win the What Car? Magazine award for the Best 4x4 for the seventh successive year.

The Range Rover Evoque was launched in September 2011 and has since garnered over 100 international awards. The class leading urban 4x4 comes in a range of trim levels and is the most customisable Range Rover ever produced.

The Range Rover Sport combines the performance of a sports tourer with the versatility of a Land Rover.

The Range Rover is the flagship of the brand with a unique blend of British luxury, classic design with distinctive, high-quality interiors and outstanding all-terrain ability. The 2012 Model Year Range Rover, with an all-new 4.4-litre TDV8 engine aiming to achieve a 14% reduction in CO_2 emissions and a 19% improvement in fuel consumption to 7.81L/100km, has been particularly well-received in the UK, Europe and overseas.

Jaguar Land Rover achieved strong sales, during FY 2011-12 wholesale unit sales in total increased to 314,433 units from sales of 2,43,621 units in FY 2010-11, an increase of 29.1%. Jaguar volumes increased to 54,039 units during FY 2011-12 from 52,933 units in FY 2010-11, an increase of 2.1%. Land Rover volumes increased to 260,394 units from 190,628 units in FY 2010-11, an increase of 36.6%, mainly contributed by Range Rover, Range Rover Sport, Range Rover Evoque and Discovery 4 (LR4) sales. Jaguar Land Rover exported 262,637 units in FY 2011-12 compared to 185,063 units in FY 2010-11, an increase of 36.5%.

Jaguar Land Rover's performance in key geographical markets on retail basis

United States: The US economy has recovered more favourably than other mature economies since the economic downturn, with GDP growth and falling unemployment, although the position remains fragile. United States premium car segment volumes fell by 1% compared to FY 2010-11, whilst premium SUV segment volumes were up 5%. United States retail volumes for FY 2011-12 for the combined brands were 58,003 units. Jaguar retail volumes for FY 2011-12 fell by 2.6% compared to FY 2010-11, leading to a 0.3% decrease in market share. Land Rover retail volumes for FY 2011-12 increased by 22.5% compared to FY 2010-11, increasing market share.

United Kingdom: Initial figures suggest that the UK economy has re-entered recession in the last three months. Trading conditions in the UK remain difficult, despite an upswing in the first part of the year. In the UK, both the premium car segment and premium SUV segment increased by 10% in FY 2011-12 compared to FY 2010-11. The UK retail volumes for FY 2011-12 for the combined brands were 60,022 units, Jaguar retail volumes decreased by 14.0% compared to FY 2010-11, leading to a 6% decrease in market share. Land Rover retail volumes increased by 9.8% compared to FY 2010-11, broadly maintaining market share.

Europe (excluding Russia): The European economy continues to struggle, with austerity measures in place in a number of countries. The economic situation and recent national election results, continue to create uncertainty around European zone stability, the Euro and borrowing costs. Credit continues to be difficult to obtain for customers and the outlook remains volatile. The German premium car segment volume increased by 14% and the premium SUV segment volume increased by 17% compared to FY 2010-11. European retail volumes for FY 2011-12 for the combined Jaguar Land Rover brands were 68,420 units, representing a 27.4% increase compared to FY 2010-11. Jaguar retail volume for FY 2011-12 decreased by 7.0%, and Land Rover retail volume for FY 2011-12 increased by 36.2% compared to FY 2010-11.

China: The Chinese economy has continued to grow strongly throughout FY 2011-12. GDP growth is likely to slow in future, although remain above 8%. Jaguar Land Rover has signed a JV agreement to manufacture cars in China with Chery Automobile Co. Ltd, a Chinese auto manufacturer. The China premium car segment volumes (for imports) increased by 31% in FY 2011-12 compared to FY 2010-11. The China premium SUV segment volumes (for imports) increased by 54% in FY 2011-12 as compared to FY 2010-11. The China retail volumes for FY 2011-12 for the combined brands were 50,994 units. Jaguar retail volume for FY 2011-12 increased by 147.2% compared to FY 2010-11, improving market share. Land Rover retail volume for FY 2011-12 increased by 68.7% compared to FY 2010-11, again improving market share.

Asia Pacific: The Asia Pacific region main markets are Japan, Australia and New Zealand. These regions were less affected by the economic crisis compared to western economies and are recovering more favourably, often due to increased trade with China and other growth economies. The Asia Pacific retail volumes for FY 2011-12 for the combined brands were 12,976 units. Jaguar retail volume for FY 2011-12 increased by 37.4% compared to FY 2010-11. Land Rover retail volume for FY 2011-12 increased by 25.7% compared to FY 2010-11.

Other markets: The major constituents in other markets are Russia, South Africa and Brazil, alongside the rest of Africa and South America. These economies were not as badly affected by the economic crisis as the western economies and have continued GDP growth in the last few years, partially on the back of increased commodity and oil prices. The other markets retail volumes for FY 2011-12 for the combined brands were 55,444 units, up by 39%. Jaguar retail volumes for FY 2011-12 were 5,445, up 10.4% whilst Land Rover retail volumes were 49,999, an increase of 43.3% compared to FY 2010-11.

Jaguar Land Rover's Sales & Distribution: The Company market Jaguar products in 101 markets and Land Rover products in 177 markets, through a global network of 17 national sales companies ("NSCs"), 82 importers, 63 export partners and 2,351 franchise sales dealers, of which 585 are joint Jaguar and Land Rover dealers. Sales locations for Jaguar Land Rover vehicles are operated as independent franchises. Jaguar Land Rover is represented in its key markets through NSCs as well as third party importers. Jaguar Land Rover has regional offices in certain select countries that manage customer relationships, vehicle supplies and provide marketing and sales support to their regional importer markets. The remaining importer markets are managed from the UK. The Vehicles products are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies, and governments giving a benefit of a diversified customer base which reduces its dependence on any single customer or group of customers.

Jaguar Land Rover's Competition: JLR operates in a globally competitive environment and faces competition from established premium and other vehicle manufacturers who aspire to move into the premium performance car and premium SUV markets. Jaguar vehicles compete primarily with other European brands such as Audi, BMW and Mercedes Benz. Land Rover and Range Rover vehicles compete mainly with SUVs manufactured by Audi, BMW, Infiniti, Lexus, Mercedes Benz, Porsche and Volkswagen. The Land Rover Defender competes with vehicles manufactured by Isuzu, Nissan and Toyota.

Tata Daewoo Commercial Vehicles (TDCV): FY 2011-12 was a very challenging year for TDCV due to the slowdown of the Korean economy. Overall sales increased primarily due to significantly higher sales of Medium Commercial Vehicles (MCV) in the domestic market. The total market for Heavy Commercial Vehicles (HCV) in Korea declined in FY 2011-12 mainly due to slowdown in the economy. TDCV sold 2,549 units of HCV in FY 2011-12 compared to 2,848 units in FY 2010-11. TDCV believes to have improved its market share marginally post stabilization and full year operation of its sales and distribution company.

However, the demand for Medium Duty Trucks increased significantly during the year due to growing demand of Special Purpose Vehicle (mainly Refrigerated Van) and Military Vehicles and the shift in demand from relatively high priced HCVs (4X2 Cargo & 6X4 Cargo) to MCVs (4.5 Ton and 5 Ton). In this segment, TDCV sold 4,003 units in FY 2011-12 compared to 2,895 units in FY 2010-11.

TDCV exported 2,979 units during the year as compared to 3,005 units in previous year, in TDCV traditional market like Algeria the HCV continues to experience a slump which resulted in a marginal decline in exports. Majority of exports were made to countries like Algeria, Russia, Vietnam, South Africa and countries in the Middle East. TDCV continues to diversify its markets.

Tata Motors Finance Ltd (TMFL): The total disbursements during the year by TMFL were higher by 33% at ₹10,505 crores against ₹7,908 crores of FY 2010-11. TMFL financed 2,30,588 vehicles during the year as compared to 1,60,781 vehicles in FY 2010-11, a growth of 43%. The disbursals for Commercial Vehicles were ₹7,204 crores (1,20,032 units) compared to ₹6,041 crores (94,446 units) in FY 2010-11. The vehicle financing for Passenger vehicles grew significantly with the disbursements on the Nano and other passenger vehicles. The disbursals for Passenger vehicles for the year were at ₹3,301 crores (1,10,556 units) compared to ₹1,867 crores (66,335 units) in FY 2010-11.

In an environment of sluggish growth in the economy and rising interest costs, TMFL performance was mainly attributable to increased customer orientation. TMFL's key initiative of improving customer relations by effectively growing its 'Office of the Customer' and the deployment of its 'Risk Scored Pricing Model', contributed to performance. TMFL enhanced and significantly improved its branch network and infrastructure, and is confident that these investments will significantly improve relations with customers and dealers.

Tata Technologies (TTL): TTL, a key strategic partner in several of the information technology initiatives for the Tata Motors Group, recorded a growth of 32.4% in revenue from sale of products and services, from ₹493 crores in FY 2010-11 to ₹644 crores in FY 2011-12. During this period, revenue from services increased by 33.1% and product sales increased by 15.3% over last year, to reach figures of ₹563 crores and ₹81 crores, respectively. The services revenue comprises Engineering Automation Group [EAG], Enterprise Solutions Group [ESG] and Product Lifecycle Management [PLM]. EAG addresses the engineering and design needs of manufacturers through services for all stages of the product development and manufacturing process. ESG addresses the Information Technology needs of manufacturers including business solutions, strategic consulting, ERP implementation, systems integration, IT networking and infrastructure solutions and program management. PLM addresses the product development technology solution requirements of manufacturers including end-to-end implementation of PLM technology, best practices and PLM consulting. PLM also includes the TTL's proprietary applications iGETIT® and iCHECKIT. TTL has its interanational headquarters in Singapore, with regional headquarters in the United States (Novi, Michigan), India (Pune) and the UK (Coventry). TTL has a combined workforce of around 5,000 professionals serving clients worldwide from facilities in North America, Europe and Asia-Pacific region. TTL responds to customers' need through its subsidiary companies and through its three offshore development centers.

Financial performance on a consolidated basis

Tata Motors Group primarily operates in the automotive segment. The acquisition of Jaguar Land Rover enabled the Company to enter the premium car market in developed markets such as the UK, USA and Europe and in growing markets like China and Russia. The Company continues to focus on profitable growth opportunities in global automotive business, through new products and market expansion. The Company will also continue to focus on integration, and synergy through sharing of resources, platforms, facilities for product development and manufacturing, sourcing strategy, mutual sharing of best practices.

The business segments are (i) automotive operations and (ii) all other operations. The automotive operations include all activities relating to development, design, manufacture, assembly and sale of vehicles including financing thereof, as well as sale of related parts and accessories. The Company provides financing for vehicles sold by dealers in India. The vehicle financing is intended to drive sale of vehicles by providing financing to the dealers customers and as such is an integral part of automotive business. The automotive operations segment is further divided into Tata Motors and other brand vehicles (including spares and financing thereof) and Jaguar Land Rover. The other operations business segment includes information technology, machine tools and factory automation solutions and investment business.

The Revenue from operations net of excise duty on a consolidated basis, has recorded a growth of 35.6% in FY 2011-12 to ₹1,65,654.49 crores. The increase is mainly attributable to growth in automotive revenue both at Tata Motors and Jaguar Land Rover businesses. Automotive operations segment accounted for 98.8% and 99.3% of total revenues in FY 2011-12 and FY 2010-11, respectively. For FY 2011-12, revenue from automotive operations before inter-segment eliminations was ₹1,64,604.28 crores compared to ₹1,21,238.27 crores for FY 2010-11. (A reference may be made to review of performance of Tata Motors and Jaguar Land Rover business discussed above). The analysis of performance on consolidated basis is given below:-

	Percentage of Turnover	
	FY 2011-12	FY 2010-11
Revenue from Operations net of excise duty	100.0	100.0
Expenditure:		
- Cost of material consumed (including change in stock)	66.1	64.7
- Employee Cost	7.4	7.6
- Manufacturing and other expenses	17.2	17.8
- Amount Capitalised	(5.0)	(4.7)
Total Expenditure	85.7	85.4
Other Income	0.4	0.3
Profit before Exceptional Item, Depreciation and amortisation, Interest and Tax	14.7	14.9
Depreciation and Amortization (including product development / engineering expenses written off)	4.2	4.6
Finance costs	1.8	2.0
Exceptional item - loss / (gain)	0.5	(0.2)
Profit before Tax	8.2	8.5

Cost of material consumed (including change in stock)

(₹ in crores)

	FY 2011-12	FY 2010-11
Consumption of raw materials and components	100,797.44	70,453.73
Purchase of product for sale	11,205.86	10,390.84
Change in finished goods and Work-in-progress	(2,535.72)	(1,836.19)
Total	**1,09,467.58**	**79,008.38**

Cost of material consumed increased from 64.7% to 66.1% of net revenue. The increase is mainly attributable to product mix, increase input cost and import duties that are not fully absorbed through pricing.

Employee Cost is ₹12,298.45 crores in FY 2011-12 as compared to ₹9,342.67 crores in FY 2010-11, an increase by ₹2,955.78 crores in absolute terms. As a percentage of net revenue it reduced from 7.6% to 7.4% in the current year. The increase mainly relates to normal yearly increments, performance based payments, impact of wage revisions and partly due to increased volumes. Jaguar Land Rover increased the permanent and agency head count to support the volume increases.

Manufacturing and Other Expenses include works operation, indirect manufacturing expenses, freight cost, fixed marketing costs and other administrative costs. These expenses have increased to ₹28,453.97 crores from ₹21,703.09 crores in FY 2010-11. The breakup is given below-

(₹ in crores)

	FY 2011-12	FY 2010-11
Processing charges	1,539.14	1,172.48
Consumption of stores and spare parts	1,217.24	1,189.24
Freight, transportation, port charges, etc.	3,734.55	2,436.93
Repairs to buildings	101.51	69.85
Repairs to plant, machinery, etc.	175.42	228.45
Power and fuel	1,017.19	851.60
Rent	128.84	104.72
Rates and taxes	259.15	193.56
Insurance	227.18	161.71
Publicity	5,389.40	4,089.95
Works operation and other expenses	14,538.55	11,065.55
Excise Duty on change in Stock-in-trade	116.80	139.05
Manufacturing and Other Expenses	**28,453.97**	**21,703.09**

The increases are mainly driven by volumes, size of operations and also include inflation impact. In terms of net revenue, these decreased from 17.8% to 17.2% in the current year. The publicity expenses have increased mainly on account of new product introductions both at Tata Motors and Jaguar Land Rover. The works operation and other expenses during the current year have come down to 8.8% from 9.1% of net revenue. The group continues to contain costs at all levels.

Amount capitalised represents expenditure transferred to capital and other accounts allocated out of employee cost and other expenses incurred in connection with product development projects and other capital items. This increased to ₹8,265.98 crores from ₹5,741.25 crores of FY 2010-11, mainly on account of various product development projects undertaken by the Company and Jaguar Land Rover.

Other Income increased to ₹661.77 crores from ₹429.46 crores in FY 2010-11 and mainly includes interest income of ₹487.64 crores (FY 2010-11 ₹339.85 crores). The increase is attributable to attributable to return on surplus cash invested by Jaguar Land Rover.

Profit before Exceptional Item, Depreciation and amortisation, Interest and Tax has increased from ₹18,244.49 crores in FY 2010-11 to ₹24,362.24 crores in FY 2011-12 and represents 14.7% of net revenue for the current as compared to 14.9% for last year.

Depreciation and Amortization (including product development / engineering expenses written off): During FY 2011-12, expenditure increased by 24.1% to ₹7,014.61 crores from ₹5,653.06 crores in FY 2010-11. The increase in depreciation of ₹177.34 crores is on account of plant and equipment (mainly towards capacity and new products) installed in last year, the full effect of which is reflected in the current year. The amortization expenses have gone up from ₹1,483.71 crores in FY 2010-11 to ₹2,276.24 crores in FY 2011-12, attributable to new products introduced during the last year. The expenditure on product development / engineering cost has increased by ₹391.68 crores.

Finance cost increased by 25.0% to ₹2,982.22 crores from ₹2,385.27 crores of FY 2010-11. During the year Jaguar Land Rover raised GB£ 1,500 million with coupon rate ranging from 7.75% to 8.25% for different maturities.The increase in finance cost relates to recognition of amortised debt issue cost expensed upon prepayment of high debt cost.

Exceptional Items (₹ in crores)

	FY 2011-12	FY 2010-11	Change
Exchange loss / (gain) (net) including on revaluation of foreign currency borrowings, deposits and loans	654.11	(231.01)	885.12
Goodwill Impairment and other costs	177.43	-	177.43
Total	**831.54**	**(231.01)**	**1,062.55**

Due to steep depreciation of rupee against all major currencies, the exchange loss (net of capitalization / deferment) including on revaluation of Foreign Currency Borrowings, Deposits and Loans of ₹654.11 crores was recorded as compared to gain of ₹231.01 crores in FY 2010-11 (mainly at Tata Motors), resulting in a swing of ₹885.12 crores. Goodwill Impairment and other costs are in respect of subsidiary companies, triggered by continuous underperformance, mainly attributed by challenging market conditions in which the subsidiaries operate.

Consolidated Profit Before Tax (PBT) increased to ₹13,533.87 crores in FY 2011-12 compared to ₹10,437.17 crores in FY 2010-11, representing an increase of ₹3,096.70 crores, mainly attributable to a remarkable improvement in the performance of the Jaguar Land Rover business.

Tax expense represents a net credit of ₹40.04 crores in FY 2011-12 compared to net charge of ₹1,216.38 crores in FY 2010-11. During the year, Jaguar Land Rover accounted for credit of GB£ 225 million (₹1,793.66 crores) in respect of carried forward past tax losses, in view of certainty of utilising these against future profits. The tax expense (without considering the tax credit for losses) was lower due to tax benefits of R & D expenses at Tata Motors, which are eligible for weighted deduction and tax treatment of exchange loss. The tax expense is not comparable with the profit before tax, since it is consolidated on a line-by-line addition for each subsidiary company and no tax effect is recorded in respect of consolidation adjustments.

Consolidated Profit After Tax increased to ₹13,516.50 crores compared to ₹9,273.62 crores in FY 2010-11, after considering the profit from associate companies and share of minority.

Consolidated Balance Sheet

The assets and liabilities increased on account of foreign currency translation impact mainly in respect of Jagaur Land Rover.

Shareholders' fund was ₹33,149.93 crores and ₹19,171.47 crores as at March 31, 2012 and 2011, respectively.

Reserves increased from ₹18,533.76 crores as at March 31, 2011 to ₹32,515.18 crores as of March 31, 2012, increase mainly due to strong performance on a consolidated basis as explained above. The other major changes were translation reserves credit of ₹2,363.59 crores and pension reserves debit of ₹128.12 crores (net).

Borrowings:

(₹ in crores)

	As at March 31, 2012	As at March 31, 2011
Long term borrowings	27,962.48	17,256.00
Short term borrowings	10,741.59	13,106.15
Current maturities of long term borrowings	8,444.89	2,448.40
Total	**47,148.96**	**32,804.02**

Long term borrowings including the current portion increased by ₹16,702.97 crores to ₹36,407.37 crores. During the year, Jaguar Land Rover issued GB£ 1,500 million (₹12,327.19 crores) equivalent Senior Notes. The Company has taken ECB loan of US$ 500 million (₹2,544.13 crores) and Tata Motors Finance Ltd has issued zero coupon debentures of ₹826.00 crores maturing by FY 2015-16.

The increase in current maturities of Long term borrowings is attributable to Convertible Alternative Reference Securities (CARS), which will be due for redemption on July 11, 2012 and fixed deposits.

Fixed deposits from public and shareholders (unsecured) decreased by ₹1,231.09 crores, whereas term loan from banks increased by ₹4,750.43 crores. Certain loans from banks availed by some of the subsidiary companies carry covenants restricting repayment of intra group loans and payment of dividend.

Other Long term liabilities were ₹2,458.58 crores as at March 31, 2012 as compared to ₹2,292.72 crores as at March 31, 2011, and include ₹1,577.28 crores premium on redemption of non convertible debentures as at March 31, 2012.

Trade payables were ₹36,686.32 crores as at March 31, 2012, as compared to ₹27,903.06 crores as at March 31, 2011. The increase is attributable to volumes. Reduction in acceptances is due to decrease in tenure from 89 days to 34 days by using our own funds for supplier payments. This has enabled us to lower discounting cost.

Provisions (current and non-current) are towards warranty, employee benefit schemes, premium on redemption of FCCN and proposed dividend. The details are as follows:

(₹ in crores)

	As at March 31, 2012	As at March 31, 2011
Long term provisions	6,071.38	4,825.64
Short term provisions	6,770.38	5,131.49
Total	**12,841.76**	**9,957.13**

The above includes, provision for warranty of ₹5,252.17 crores as at March 31, 2012, which increased by ₹1,125.98 crores mainly on account of volume growth. The provision for employee benefit schemes was ₹3,451.37 crores as at March 31, 2012, as compared to ₹2,773.27 crores as at March 31, 2011, the increase was on account of change in actuarial assumption factors.

Other current liabilities were ₹19,069.78 crores as at March31, 2012 as compared to ₹8,984.92 crores as at March 31, 2011. These mainly include liability towards vehicles sold under repurchase arrangements, liability for capital expenditure, statutory dues, and current liability of long term debt and advance / progress payment from customers. The increase is mainly due to increase in current maturities of long term debt explained above.

Fixed Assets:

(₹ in crores)

	As at March 31, 2012	As at March 31, 2011	Change
Tangible assets (including capital work-in-progress)	30,240.09	25,006.76	5,233.33
Intangible assets (including assets under development)	25,972.41	18,214.29	7,758.12
Total	**56,212.50**	**43,221.05**	**12,991.45**

The increase (net of depreciation) in the tangible assets of ₹5,233.33 crores as at March 31, 2012, mainly represents establishment of new production capability for Evoque at Halewood, plant at Dharwad and other additions towards capacity / new product plans of the Company. The increase (net of amortization) in the intangible assets was ₹7,758.12 crores is mainly attributable to new product development projects.

Investments (Current + Non current) increased to ₹8,917.71 crores as at March 31, 2012 as compared to ₹2,544.26 crores as at March 31, 2011. The net increase of ₹6,373.45 crores is mainly attributable to surplus funds parked by Jaguar Land Rover in mutual funds of GB£ 875 million (equivalent ₹ 7,133.40 crores).

Deferred tax assets have gone up to ₹4,539.33 crores as at March 31, 2012 from ₹632.34 crores as at March 31, 2011. The increase is consequent to recognition of credit for tax losses by Jaguar Land Rover.

Loans and Advances

(₹ in crores)

	As at March 31, 2012	As at March 31, 2011
Long term loans and advances	13,657.95	9,818.30
Short term loans and advances	11,337.22	8,023.92
Total	**24,995.17**	**17,842.22**

Long term loans and advances includes MAT credit entitlement of ₹1,451.45 crores as at March 31, 2012 (₹1,158.16 crores as at March 31, 2011) and receivables towards vehicle financing by Tata Motors Finance Ltd ₹10,339.93 crores as at March 31, 2012, as compared to ₹6,791.35 crores as at March 31, 2011.

Short term loans and advances have increased mainly due to vehicle financing by ₹2,103.47 crores and ₹1,234.50 crores due to VAT and other entitlement from Government.

Current Assets increased to ₹64,461.47 crores as at March 31, 2012 from ₹42,088.82 crores as at March 31, 2011.

As of March 31, 2012, inventories stood at ₹18,216.02 crores as compared to ₹14,070.51 crores as at March 31, 2011. The increase is mainly attributable to volumes. The increase in finished goods inventory was ₹3,024.97 crores which was in line with the volume growth and in terms of number of days of sales, represented 29 days inventory in FY 2011-12 as compared to 31 days in FY 2010-11.

Trade Receivables (net of allowance for doubtful debts) were ₹8,236.84 crores as at March 31, 2012, representing an increase of ₹1,711.19 crores, which was attributable to increase in sales. The allowances for doubtful debts were ₹326.21 crores as at March 31, 2012 against ₹236.77 crores as at March 31, 2011. In certain markets trade receivables have gone up mainly due to delays in payment by government owned transport companies.

Cash and bank balances were ₹18,238.13 crores, as at March 31, 2012 compared to ₹11,409.60 crores as at March 31, 2011. The Company holds cash and bank balances in Indian Rupees, GB£, and Chinese Renminbi etc. It includes ₹1,070.91 crores as at March 31, 2012 held by a subsidiary that operates in a country where exchange control restrictions potentially restrict the balances being available for general use by Tata Motors Limited and other subsidiaries.

Other short term loans and advances increased from ₹8,023.92 crores as at March 31, 2011 to ₹11,337.22 crores as at March 31, 2012. The increase is attributable to an increase in VAT, other taxes recoverable statutory deposits and other dues from government.

Consolidated Cash Flow

The following table sets forth selected items from consolidated cash flow statement:

(₹ in crores)

	FY 2011-12	FY 2010-11	Change
(a) Net cash from operating activities	**18,384.32**	**11,240.15**	**7,144.17**
Profit for the year	13,516.50	9,273.62	
Adjustments to arrive at cash from operations	8,915.84	7,406.13	
Changes in working capital	(2,280.08)	(4,048.40)	
Direct taxes paid	(1,767.94)	(1,391.20)	
(b) Net cash used in investing activities	**(20,542.85)**	**(7,285.49)**	**(13,257.36)**
Purchase of fixed assets (Net)	(13,782.85)	(8,112.77)	
Net investments, short term deposit, margin money and loans given	(6,993.25)	486.24	
Investments in subsidiary companies	(304.33)	(70.42)	
Dividend and interest received	537.58	411.46	

(₹ in crores)

	FY 2011-12	FY 2010-11	Change
(c) Net cash (used in)/ from financing activities	**6,567.18**	**(1,401.29)**	**7,968.47**
Equity issuance (Net of issue expenses)	0.02	3,253.39	
Proceeds from issue of share to minority shareholders	138.54	5.19	
Dividend Paid	(1,503.11)	(1,019.53)	
Interest paid	(3,373.69)	(2,469.07)	
Net Borrowings (net of issue expenses)	11,305.42	(1,171.27)	
Net increase in cash and cash equivalent	**4,408.65**	**2,553.37**	**1,855.28**
Effect of exchange fluctuation on cash flows	(1,078.96)	259.61	
Cash and bank balances on acquisition / sale of stake in subsidiaries (net)	-	2.47	
Cash and cash equivalent, beginning of the year	9,345.41	6,529.96	
Cash and cash equivalent, end of the year	14,833.02	9,345.41	

Analysis:

a. Cash generated from operations before working capital changes was ₹22,432.34 crores as compared to ₹16,679.25 crores in the previous year, representing a strong increase in cash generated through consolidated operations. After considering the impact of working capital changes and net movement of vehicle financing portfolio, the net cash generated from operations was ₹20,152.26 crores as compared to ₹12,631.35 crores in the previous year. The following actors contributed to net increase in working capital for the year:-

- Increase in vehicle financing receivables by ₹5,652.07 crores, consequent to increase in activity.
- Increase in trade and other receivables amounting ₹1,006.86 crores mainly due to increase in sales volumes.
- Increase in inventories amounting ₹2,718.98 crores (mainly in finished goods) due to higher volumes / activity.
- Increases were partially offset by increase in trade and other payables by ₹8,187.91 crores consequent to manufacturing activity and net decrease in provisions of ₹109.14 crores.

b. The net cash outflow from investing activity increased during the current year to ₹20,542.85 crores from ₹7,285.59 crores for the last year.

- Net cash used for capital expenditure was ₹13,782.85 crores during the year as against ₹8,112.77 crores for the last year. The capital expenditure relates mainly to capacity / expansion of facilities, quality and reliability projects and product development projects for new products.
- The change in net investments mainly represents parking of surplus cash in mutual funds net ₹5,840.09 crores against ₹32.14 crores in the last year.

c. The net change in financing activity was inflow of ₹6,567.18 crores against net outflow ₹1,401.29 crores for last year.

- During the last year, the Company raised ₹3,249.80 crores (net of expenses) by way of issue of shares through Qualified Institutional Placement.
- During FY 2011-12, Jaguar Land Rover raised funds by issued of Senior Notes of GB£1,500 million resulting in increase in net change in borrowings during the year by ₹11,305.42 crores as compared to decrease of ₹1,177.27 crores during the last year.

Financial Performance on a standalone basis

The revenue (net of excise duty) increased to ₹54,306.56 crores in FY 2011-12, as compared to ₹47,088.44 crores, representing an increase of 15.3%. The total number of vehicles sold during the year increased by 10.7% to 926,353 vehicles from 836,629 vehicles. The domestic volumes increased by 10.9% to 863,248 vehicles from 778,540 vehicles in FY 2010-11, while export volumes showed an improvement of 8.6% to 63,105 vehicles from 58,089 vehicles in FY 2010-11. Gross revenue from sale of vehicles, including export and other incentives, increased 16.0% to ₹54,154.01 crores from ₹46,692.88 crores in FY 2010-11. Sale of spare parts for vehicles increased by 8.2% to ₹2,910.61 crores from ₹2,689.85 crores in FY 2010-11.

The operating margin decreased mainly due to increase in raw material cost and fixed marketing expenses. The Profit after tax of ₹1,242.23 crores was lower by 31.4% compared to ₹1,811.82 crores in FY 2010-11. The analysis of performance is given below:-

	Percentage of Turnover	
	FY 2011-12	**FY 2010-11**
Revenue from Operations net of excise duty	100.0	100.0
Expenditure:		
Cost of material consumed) (including change in stock	73.1	72.3
Employee Cost	5.0	4.9
Manufacturing and other expenses (net)	15.5	14.3
Amount Capitalised	(1.7)	(1.7)
Total Expenditure	91.9	89.8
Other Income	1.1	0.9
Profit before Exceptional Item, Depreciation, Interest and Tax	9.2	11.1
Depreciation and Amortisation (including product development / engineering expenses written off)	3.4	3.2
Finance costs	2.2	2.9
Exceptional Item - Loss	1.1	0.3
Profit before Tax	2.5	4.7

Cost of material consumed (including change in stock):

(₹ in crores)

	FY 2011-12	FY 2010-11
Consumption of raw materials and components	33,894.82	27,058.47
Purchase of product for sale	6,433.95	7,363.13
Change in Stock-in-trade, finished goods and Work-in-progress	(623.84)	(354.22)
Total	**39,704.93**	**34,067.38**

Cost of material consumed in terms of % of net revenue increased by 80 basis points, mainly on account of cost increase in input prices (partly relatable to change in environment norms from BS II to BS III) and adverse product mix. Despite increase in commodity prices during the year, the Company was able to contain the material cost through vigorous cost reduction programs.

Employee Cost increased by 17.3% to ₹2,691.45 crores from ₹2,294.02 crores in FY 2010-11. The increase is mainly attributable to normal yearly increases, promotions, wage agreements (where applicable) and increase in head count. In terms of % to net revenue, the employee cost has marginally increased from 4.9% to 5.0%. The Company continues to focus on measures to manage employee cost on a long term basis.

Manufacturing and Other Expenses were ₹8,405.51 crores (₹6,738.35 crores for FY 2010-11) and were 15.5% of net revenue in FY 2011-12 compared to 14.3% in FY 2010-11. The increase is primarily due to inflation, volumes, freight cost and publicity expenses to promote the new products / variants.

Profit before Exceptional Item, Depreciation, Interest and Tax was ₹4,985.88 crores in FY 2011-12, as compared to ₹5,229.34 crores in FY 2010-11. The decrease is mainly due to lower other income and lower operating margin.

Depreciation and amortization (including product development / engineering expenses written off) increased by 22.6% to ₹1,840.99 crores from ₹1,502.00 crores in FY 2010-11. The increase reflects, impact on account of additions to fixed assets towards plant and facilities for expansion and new products introduction. Further, there has been an increase in amortization relating to capitalization of product development cost for products launched in the year.

Finance costs decreased to ₹1,218.62 crores from ₹1,383.70 crores in FY 2010-11. The Company has achieved a reduction in the weighted average borrowing cost and discounting charges.

Exceptional Items

a) During FY 2011-12, the Company provided ₹130 crores for the loan given to a subsidiary, consequent to impairment at the subsidiary triggered by continuous underperformance, mainly attributed by challenging market conditions in which the subsidiary operates.

b) There was an adverse exchange fluctuation of INR versus all major currencies. After accounting for deferral and amortization as permitted by the Accounting Standard AS-11, a net exchange loss including on revaluation of foreign currency borrowings, deposits and loans, was ₹455.24 crores for the year (last year's ₹147.12 crores represents amortization).

Profit before Tax (PBT) of ₹1,341.03 crores represented 2.5% of net revenue in FY 2011-12 as compared to PBT of ₹2,196.52 crores representing 4.7% of net revenue in FY 2010-11. The reduction of PBT was mainly attributable to lower operating margin, reduction in other income, increase in depreciation and amortization, and exceptional items as explained above.

Tax expenses decreased to ₹98.80 crores from ₹384.70 crores in FY 2010-11. The effective tax rate for FY 2011-12 is 7.4% of PBT as compared to 17.5% for FY 2010-11. The reduction in effective tax rate is due to impact of tax treatment of exchange differences and higher proportion of tax benefits as compared to PBT.

Profit After Tax (PAT) of the Company decreased by 31.4% to ₹1,242.23 crores from ₹1,811.82 crores in FY 2010-11. Basic Earnings Per Share (EPS) decreased to ₹3.90 as compared to ₹6.06 in the previous year for Ordinary Shares and ₹4.00 as compared to ₹6.16 for 'A' Ordinary Shares in the previous year. The lower EPS reflects the lower PAT over a higher equity base in FY 2011-12 as compared to FY 2010-11.

Standalone Balance Sheet

Shareholders' fund was ₹19.626.01 crores and ₹20,013.30 crores as at March 31, 2012 and 2011, respectively.

Reserves decreased from ₹19,375.59 crores as at March 31, 2011 to ₹18,991.26 crores as at March 31, 2012. The PAT for the year was ₹1,242.23 crores and the proposed dividend and tax thereon was ₹1,463.72 crores.

Borrowings:

(₹ in crores)

	As at March 31, 2012	As at March 31, 2011
Long term borrowings	8,004.50	9,679.42
Short term borrowings	3,007.13	4,958.77
Current maturities of long term borrowings	4,868.94	1,277.24
Total	**15,880.57**	**15,915.43**

The long term borrowings include external commercial borrowings during the year of US$ 500 million (₹2,544.13 crores) at floating rates. The borrowings on account of foreign currency convertible notes increased by ₹367.51 crores mainly due to exchange fluctuation. The net repayment of fixed deposits from public and shareholders (unsecured) was ₹1,231.09 crores. The short term borrowing by way of commercial paper was ₹131.27 crores as at March 31, 2012 as compared to ₹1,519.82 crores as at March 31, 2011. Current maturities of Long term borrowings as at March 31, 2012 include ₹2,406.74 crores as at March 31, 2012 on account of Convertible Alternative Reference Securities (CARS), which will be due for redemption on July 11, 2012.

Trade payables were ₹8,744.83 crores as at March 31, 2012 as compared to ₹8,817.27 crores as at March 31, 2011. These include acceptances which have been lowered from ₹4,864.73 crores as at March 31, 2011 to ₹3,808.24 crores by reducing the tenure with a view to lower discounting cost, by substituting own funds.

Provisions (current and non-current) as at March 2012 and 2011, were ₹3,600.82 crores and ₹3,267.11 crores, respectively, representing an increase of ₹333.71 crores. The provisions are mainly towards warranty, employee retirement benefits, premium payable of redemption of debentures / FCCNs, delinquency and proposed dividends.

Fixed Assets: The tangible assets (net of depreciation and including capital work in progress) increased from ₹12,631.82 crores as at March 31, 2011 to ₹13,656.77 crores as at March 31, 2012. The increase is mainly attributable to expansion and new facility at Dharwad and plant and equipment across all locations.

The intangible assets (net of amortisation) increased from ₹2,505.11 crores as at March 31, 2011 to ₹3,273.05 crores as at March 31, 2012. The increase pertains to new product development for products / variants introduced in the year, mainly World truck, Manza and Indica Vista (LHD), Aria, Safari Storme and LCV for future. The intangible assets under development were ₹2,126.37 crores as at March 31, 2012 and ₹2,079.17 crores as at March 31, 2011. These relate to new products planned in the future.

Investments (Current + Non current) decreased to ₹20,493.55 crores as at March 31, 2012 as compared to ₹22,624.21 crores as at March 31, 2011. The reduction was due to part redemption of 6.25% Cumulative Redeemable Preference Shares of US$ 100 each at par of TML Holdings Pte Ltd, Singapore, of ₹4,146.98 crores. This was partly offset by increase in investments (net) in subsidiaries and associates by ₹1,853.82 crores.

Inventories stood at ₹4,588.23 crores as compared to ₹3,891.39 crores as at March 31, 2011. The increase mainly relates to finished goods inventory by ₹707.80 crores, which was planned in view of expected growth of volume.

Trade Receivables (net of allowance for doubtful debts) were ₹2,708.32 crores as at March 31, 2012, as compared to ₹2,602.88 crores as at March 31, 2011. The allowances for doubtful debts were ₹181.23 crores as at March 31, 2012 against ₹135.66 crores as at March 31, 2011. Trade receivables increased mainly due to volumes and also relate to delays in payment by the government-owned transport companies.

Cash and bank balances were ₹1,840.96 crores, as at March 31, 2012 compared to ₹2,428.92 crores as at March 31, 2011. The deposits as at March 31, 2011, included unutilized proceeds of ₹505.00 crores out of Qualified Institutional Placement issue.

Standalone Cash Flow

(₹ in crores)

	FY 2011-12	FY 2010-11	Change
(a) Net cash from (used in) operating activities	**3,653.59**	**1,505.56**	**2,148.03**
Profit for the year	1,242.23	1,811.82	
Adjustments for cash flow from operations	3,062.26	2,844.89	
Changes in working capital	(314.42)	(2,646.29)	
Direct taxes paid	(336.48)	(504.86)	
(b) Net cash from (used in) investing activities	**144.72**	**(2,521.88)**	**2,666.60**
Purchase of fixed assets (Net)	(2,835.47)	(2,381.65)	
Net investments, short term deposit, margin money and loans given	262.21	329.69	
Redemption of preference shares in a subsidiary	4,146.98	-	
Investments / loans in subsidiary / associates / JV	(1,940.74)	(853.07)	
Dividend and interest received	511.74	383.15	
(c) Net cash from (used in) financing activities	**(4,235.59)**	**1,648.42**	**(5,882.01)**
Proceeds from issue of shares / previous year through QIP	0.02	3,253.39	
Interest and dividend paid	(2,944.63)	(2,197.14)	
Net Borrowings (net of issue expenses)	(1,290.98)	592.17	
Net increase in cash and cash equivalent	**(437.28)**	**632.10**	
Effect of exchange fluctuation on cash flows	4.78	3.77	
Cash and cash equivalent, beginning of the year	1,352.14	716.27	
Cash and cash equivalent, end of the year	919.64	1,352.14	

a. The net cash from operations was ₹3,653.59 crores as compared to ₹1,505.56 crores in the previous year. The cash generated from operations before working capital changes was ₹4,304.49 crores as compared to ₹4,656.71 crores in the previous year. There was net outflow of ₹314.42 duirng the year towards working capital mainly attributable to increase in inventory on account to volumes.

b. The net cash inflow from investing activity was ₹144.72 crores as compared to net cash outflow of ₹2,521.88 crores for the previous year. There was redemption of preference shares by TML Holdings Singapore, resulting in cash inflow of ₹4,146.98 crores.

c. The net change in financing activity was outflow of ₹4,235.59 crores against inflow of ₹1,648.42 crores for last year. The Company had raised equity through raising of equity through QIP last year ₹3,249.80 crores. Further there has been an outflow of dividends and interest of ₹2,944.63 crores (last year ₹2,197.14 crores). There has been a net decrease on account of borrowings of ₹1,290.98 crores as compared to inflow of ₹592.17 crores in last year.

Opportunities and Risks

Opportunities

Infrastructure Growth: The Government of India has been focusing on improving road infrastructure through two main umbrella programs – National Highway Development Project (NHDP) and Pradhan Mantri Gram Sadak Yojna (PMGSY). While National Highways Authority of India (NHAI) has till date awarded 65% of the projects by road length (the plan is to upgrade, widen and strengthen 55,000 km of road network), 35% still remains to be awarded. Of the awarded projects, 36% of the work has been completed and work on the remaining 29% is underway. The Government has planned in budget for FY 2012-13, to award a further 8,800 km of projects, higher than originally planned. Under the PMGSY, the Government aims to develop 368,368 km of rural roads. Of this, till date about 73% of network has been completed (including upgradation). This improved connectivity presents a significant opportunity for the Company with its wide product range in commercial, utility and passenger vehicles. The emphasis on road development has seen an increase in demand for construction equipment, including tippers. Also, there is positive effect in terms of demand for both Cargo and Passenger Small Commercial Vehicles from newly connected rural areas. Further progress in road development work including sanction of new projects will help to sustain growth in the Commercial Vehicle industry.

Rural market penetration: In India, growth in FY 2012-13 is expected to come from reach and penetration in tier 2 and tier 3 markets. With growing connectivity and increased rural affluence, the demand for automobiles in rural areas has increased significantly. For FY 2012-13 as well, with indications of a normal monsoon and a robust growth in agriculture, the demand from the rural segment is likely to sustain. With a product range catering to even the buyer of smallest commercial vehicle or a fun-to-drive yet affordable passenger car offering, the Company is ideally placed to ride this growth story. Along with the product range, the Company is working on increasing reach and penetration of the sales and service network to be able to serve this market better. During FY 2011-12, the Company increased sales touch points by 35% and service touch points by 26%. With aggressive plans to further increase penetration this year, the Company has potential opportunity to leverage its wide product range and large distribution network, to accelerate growth.

Non-cyclical business growth: In order to insulate against the cyclicality of the automobile industry, specifically in the M&HCV segment, the Company has focused on lines of business and customer solutions which are inherently less cyclic in nature. For example, the sale of spares and the aggregate business, branded TATA GENUINE PARTS which has grown by 21% CAGR in the last five years and is poised to grow further in FY 2012-13. In order to maintain the growth, the Company has increased distribution reach by 50% over last year. The Company has a loyalty program for key brand decision makers like the mechanics and the retailers. A total of 26,000 mechanics and 19,000 retailers across India participate in these programs. These efforts also help us to serve our customers and know their needs and requirements on an ongoing basis. We have also established Rapid Customer Care centers all over India to deliver aggregates to customer anywhere in 24 hours. We are also focusing on other business avenues like Refurbishing, AMC, Reconditioning, etc. The focus of the Company is to reduce Total Cost of Ownership for the customers, enhancing their satisfaction with our products and services.

The Company is also focusing on the Defence business. With the Government of India opening up different segments of the Defence sector to private players, the Company is targeting moving from pure logistics solutions player to tactical and combat solutions; thus garnering a greater share of this market. On the back of aggressive plans by the Government in FY 2012-13, the Company is aiming to achieve both its revenue growth and profitability from this segment.

Exports from India: India has emerged as a major hub for global manufacturing with its advantage of lower input costs, availability of local supplier base and qualified and experienced resource base. As an established domestic manufacturer, the Company is ideally placed to leverage the above factors and pursue lucrative international markets, through the export of fully built vehicles export or CKD units. The Company also has the advantage of a strong in-house design and development team which is capable of developing solutions for different regulatory and emission norms as per market specifications in minimal time. Currently, the Company is present in Africa and ASEAN markets through its manufacturing facilities in some of the countries. The Company is also actively considering expanding its global manufacturing footprint in key international markets to take advantage of import duty differentials and local sourcing benefits.

Grow the business through new products and market expansion: Jaguar Land Rover offers products in the premium performance car and all-terrain vehicle segments, and it intends to grow the business by diversifying the product range within these segments, for example by offering different Powertrain combinations. The new Range Rover Evoque has helped expansion into a market segment that is attracted by a smaller, lighter and more "urban" off-road vehicle than the market segment in which the company's Range Rover models traditionally compete, while the new 2.2-litre diesel XF caters for a much wider group of potential customers, particularly company car drivers. As a producer of distinctive, premium products, the Company believes that it is well positioned to increase revenues in emerging affluent countries with growing sales potential.

Transform the business structure to deliver sustainable returns: The Company plans to strengthen operations by gaining a significant presence across a select range of products and a wide diversity of geographic markets. One key component of this strategy, which continues to deliver positive results, is the Company's focus on improving the mix of products and the mix of markets. The Company also plans to continue to strengthen business operations in addition to vehicle sales, such as spare part sales, service and maintenance contracts.

Investment in product development and technology : One of the Company's principal goals is to enhance its status as a leading manufacturer of automotive vehicles by investment in products, R&D, quality improvement and quality control. The Company's strategy is to maintain and improve its competitive position by developing technologically advanced vehicles. Over the years, the Company has enhanced its technological strengths through extensive in-house R&D activities.

The Company considers technological leadership to be a significant factor in its continued success, and therefore continues to devote significant resources to upgrading its technological capabilities. In line with this objective, the company is involved in a number of advanced research consortia that bring together leading manufacturers, suppliers and specialists.

Products and environmental performance: The Company's strategy is to invest in products and technologies that position its products ahead of expected stricter environmental regulations and ensure that it benefits from a shift in consumer awareness of the environmental impact of the vehicles they drive. The Company is committed to continued investment in new technologies, including developing sustainable technologies to improve fuel economy and reduce CO_2 emissions. The Company is the largest investor in automotive R&D in United Kingdom. The Company's environmental vehicle strategy focuses on new propulsion technology, weight reduction and reducing parasitic losses through the driveline. Projects like REEVolution, REHEV and Range-e are some examples of the Company's research into the electrification of premium sedan and all-terrain vehicles.

China and other developing markets: The Chinese economy is forecast to grow at above 8% over the next few years. Whilst light vehicles sales are expected to grow at around 10% p.a. in China, the global light vehicle sales are expected to grow at 4.2% p.a., with South America, China and South Asia expected to out-perform the average. With an established network of dealers in place in these markets and an updated product range, Jaguar and Land Rovers brands are well placed to benefit from this growth. The Joint Venture in China with Chery Automotive, currently pending approval by Chinese authorities, will give Jaguar Land Rover an additional scope to improve our position in that market.

Engine plant: Jaguar Land Rover is developing a new engine plant, alongside new, more fuel efficient engines. This will enable Jaguar Land Rover to improve their offering in terms of more efficient product and give us better control over engine supply to markets.

Risks

Deterioration in economic conditions: The impact of the global financial crisis and European sovereign debt crisis continues to be a cause of concern, despite concerted efforts to contain the adverse effect of these events on global recovery.

In addition to India, the Company has automotive operations in the UK, South Africa, South Korea, Spain, Thailand and in Indonesia (being commissioned). The Indian automotive industry is affected substantially by the general economic conditions in India and around the world. The demand for automobiles in the Indian market is influenced by factors including the growth rate of the Indian economy, easy availability of credit, and increase in disposable income among Indian consumers, interest rates, freight rates and fuel prices. During the global financial crisis in FY 2008-09, RBI had eased its monetary policy stance to stimulate economic activity. Subsequently, as the Indian economy started recovering from the downturn, inflation pressures increased substantially, followed by several interest rate hikes by RBI. With inflation moderating in FY 2011-12, RBI reduced interest rates (repo rate and reverse repo rate) by 50 basis points in April 2012, however, muted industrial growth along with higher inflation and higher interest rates still continue to pose downside risks to overall growth. The automotive industry in general is cyclical and economic slowdowns in the past, have affected the manufacturing sector including the automotive and related industries. Deterioration in key economic factors such as growth rate, interest rates and inflation as well as reduced availability of financing for vehicles at competitive rates, may adversely affect our automotive sales in India and results of operations.

Jaguar Land Rover operations have significant presence in the UK, North America, Continental Europe and China, as well as sales operations in many major countries across the globe. The global economic downtown significantly impacted the global automotive markets, particularly in the United States and Europe, including the UK, where Jaguar Land Rover operations have significant presence. The Company's strategy with respect to Jaguar Land Rover operations, which includes new product launches and expansion into growing markets such as China, Russia and Brazil, may not be sufficient to mitigate the decrease in demand for the products in established markets and this could have a significant adverse impact on the financial performance. In response to the recent economic slowdown, the Company further intensified efforts to review and realign our cost structure such as reducing manpower costs and other fixed costs. Jaguar Land Rover business is exploring opportunities to reduce cost base through increased sourcing of materials from low cost countries, reduction in number of suppliers, reduction in number of platforms, reduction in engineering change costs, increased use of off-shoring and several other initiatives. While the markets in the United States in FY 2011-12, have begun to show signs of recovery and stability, the UK and Europe continue to struggle. If industry demand softens because of the impact of the debt crisis, or low or negative economic growth in key markets or other factors, the results of operations and financial condition could be substantially and adversely affected.

Interest rates and other inflationary trends: Due to anti inflationary monetary policy pursued by the RBI, the interest rates continued to be at higher levels and affected the growth of EMI-driven products in India throughout FY 2011-12. The impact of high inflation, interest rates, rising wages and raw material costs, coupled with suppressed aggregate demand in the economy, severely impacted the rate of industrial growth. As the rate of inflation has started to show some easing, the RBI has lowered policy rates (i.e. repo and reverse repo) in April 2012. On April 17, 2012, the RBI reduced the Repo Rate by 50 basis points from 8.50% to 8.00% and Reverse Repo Rate from 7.50% to 7.00%. The current Repo Rate cut comes after the RBI raised it by 375 basis points during the period of March 2010 - October 2011, presumably for anchoring inflationary expectations. Although interest rate and inflation have shown some signs of softening in the recent months, there is an upside risk to inflation, which could stop further softening of interest rate cycle and have an adverse impact on the demand and consequently growth in India.

Fuel Prices: The crude oil price continued at about US$110 per barrel (Brent crude oil) throughout FY 2011-12. There are renewed concerns of rapid growth in oil demand in emerging economics and downshift in oil supply trends. As a result, the oil prices are likely to continue at higher levels. The Indian Government has removed petrol from administered price mechanism. However, diesel and cooking gas continues to be subsidized by the Government, which has impacted the Government finances due to rising subsidies. There have been discussions regarding removing diesel from the administered price mechanism and imposing levy on passenger vehicles running on diesel. The fuel prices or levies could adversely impact the demand of automotive vehicles in India, particularly passenger vehicles. Increases in fuel costs also pose a significant challenge to automobile manufacturers worldwide, especially in the commercial and premium vehicle segments where increased fuel prices have an impact on demand. The Company's product programs initiatives are aimed at improving fuel efficiency of its products and development of alternate fuel solutions.

Input Costs / Supplies: Prices of commodity items used in manufacturing automobiles, including steel, aluminium, copper, zinc, rubber, platinum, palladium and rhodium have become increasingly volatile over the past two years. While the Company continues to pursue cost reduction initiatives, an increase in price of input materials could severely impact our profitability to the extent such increase cannot be absorbed by the market through price increases and / or could have a negative impact on the demand. In addition, because of intense price competition and the considering level of fixed costs, the Company may not be able to adequately address changes in commodity prices even if they are foreseeable.

In addition, an increased price and supply risk could arise from the supply of rare and frequently sought raw materials for which demand is high, especially those used in vehicle electronics such as rare earths, which are predominantly found in China. In the past, China limited the export of rare earths from time to time. If the Company is unable to find substitutes for such raw materials or pass price increases on to customers by raising prices, or to safeguard the supply of scarce raw materials, the Company's vehicle production, business and results from operations could be affected.

Restrictive covenants in financing agreements: Some of the Company's financing agreements and debt arrangements set limits on and/or require the Company to obtain lender consents before, among other things, pledging assets as security. In addition, certain financial covenants may limit the Company's ability to borrow additional funds or to incur additional liens. In the past, the Company has been able to obtain required lender consents for such activities. If the financial or growth plans require such consents and such consents are not obtained, the Company may be forced to forego or alter plans, which could adversely affect our results of operations and financial condition.

In the event that the Company breaches these covenants, the outstanding amounts due under such financing agreements could become due and payable immediately. A default under one of these financing agreements may also result in cross-defaults under other financing agreements and result in the outstanding amounts under such other financing agreements becoming due and payable immediately. Defaults under one or more of our financing agreements could have a material adverse effect on the Company's results of operations and financial condition.

Environmental Regulations: As an automobile company, the Company is subject to extensive governmental regulations regarding vehicle emission levels, noise, safety and levels of pollutants generated by our production facilities. These regulations are likely to become more stringent and compliance costs may significantly impact the future results of operations. In particular, the US and Europe have stringent regulations relating to vehicular emissions. The proposed tightening of vehicle emissions regulations by the European Union will require significant costs for compliance. While the Company is pursuing various technologies in order to meet the required standards in the various countries in which the Company sell our vehicles, the costs for compliance with these required standards can be significant to the operations and may adversely impact the results of operations.

To comply with current and future environmental norms, the Company may have to incur additional capital expenditure and R&D expenditure to upgrade products and manufacturing facilities, which would have an impact on the Company's cost of production and the results of operations and may be difficult to pass through to its customers. If the Company is unable to develop commercially viable technologies within the time frames set by the new standards, the Company could face significant civil penalties or be forced to restrict product offerings drastically to remain in compliance. Moreover, meeting government mandated safety standards is difficult and costly because crash worthiness standards tend to conflict with the need to reduce vehicle weight in order to meet emissions and fuel economy standards.

The Company's product development plan is structured to allow it to develop vehicles which comply with current and expected future environmental regulations particularly in the United States covered by the CAFE and in other countries such as China.

Intensifying Competition: The global automotive industry is highly competitive and competition is likely to further intensify in view of the continuing globalization and consolidation in the worldwide automotive industry. Competition is especially likely to increase in the premium automotive categories as each market participant intensifies its efforts to retain its position in established markets while also developing a presence in emerging markets, such as China. The factors affecting competition include product quality and features, innovation and product development time, ability to control costs, pricing, reliability, safety, fuel economy, customer service and financing terms.

The Company also faces strong competition in the Indian market from domestic as well as foreign automobile manufacturers. Improving infrastructure and robust growth prospects compared to other mature markets, are attracting a number of international companies to India either through joint ventures with local partners or through independently owned operations in India. International competitors bring with them decades of international experience, global scale, advanced technology and significant financial resources. Consequently, domestic competition is likely to further intensify in the future.

Exchange and interest rate fluctuations: The Company's operations are subject to risk arising from fluctuations in exchange rates with reference to countries in which it operates. These risks primarily stem from the relative movements of the GBP, the US dollar, the Euro, the Chinese Yuan, the Russian Ruble and the Indian Rupee.

In India, the Company imports capital equipment, raw materials and components from, and also sells its vehicles in various countries. These transactions are denominated primarily in US dollars and Euros. Moreover, the Company has outstanding foreign currency denominated debt and is sensitive to fluctuations in foreign currency exchange rates. During the year, the depreciation of the Indian Rupee against the US dollar adversely impacted the borrowing cost and consequently, the results of operations. The Company has experienced and expects to continue to experience foreign exchange losses and gains on obligations denominated in foreign currencies in respect of its borrowings and foreign currency assets and liabilities due to currency fluctuations.

Jaguar Land Rover operations have significant exposure considering the vehicle sales in the US, Europe and China. In addition, Jaguar Land Rover source a significant portion of input material from European suppliers.

Although the Company engages in currency hedging in order to decrease its foreign exchange exposure, a weakening of the Indian Rupee against the US dollar or other major foreign currencies may have an adverse effect on the cost of borrowing and consequently may increase the financing costs, which could have a significant adverse impact on the Company's results of operations.

The Company also has interest-bearing assets (including cash balances) and interest-bearing liabilities, which earn interest at variable rates. The Company is therefore exposed to changes in interest rates in the various markets in which it borrows.

New products, emissions and technology- Intensifying competition, reducing product life cycles and breadth of the product portfolio, necessitates the Company to continuously invest in new products, upgrades and capacity enhancement programme. Though the Company employs sophisticated techniques and processes to forecast the demand of new products yet the same is subject to margin of error.

Further the competitors can gain significant advantages if they are able to offer products satisfying customer needs earlier than the Company able is to and this could adversely impact the Company's sales and results of operations. Unanticipated delays or cost overruns in implementing new product launches, expansion plans or capacity enhancements could adversely impact the Company's results of operations. Timely introduction of new products, their acceptance in the market place and managing the complexity of operations across various manufacturing locations, would be the key to sustain competitiveness.

Customer preferences especially in many of the developed markets seem to be moving in favour of more fuel efficient vehicles. Further, in many countries there has been significant pressure on the automotive industry to reduce carbon dioxide emissions. In many markets these preferences are driven by increased government regulation and rising fuel prices. The Company's operations may be significantly impacted if there is a delay in developing fuel efficient products that reflect changing customer preferences, especially in the premium automotive category. The Company endeavors to take account of climate protection and the ever more stringent laws and regulations that have been and are likely to be adopted. The Company focuses on researching, developing and producing new drive technologies, such as hybrid engines and electric cars. The Company is also investing in development programs to reduce fuel consumption through the use of lightweight materials, reducing parasitic losses through the driveline and improvements in aerodynamics.

In addition, the climate debate and promotion of new technologies are increasingly resulting in the automotive industry's customers no longer looking for products only on the basis of the current standard factors, such as price, design, performance, brand image or comfort / features, but also on the basis of the technology used in the vehicle or the manufacturer or provider of this technology. This could lead to shifts in demand and the value added parameters in the automotive industry.

One of the Company's principal goals is to enhance its status as a leading manufacturer of premium passenger vehicles by investing in products, R&D, quality improvement and quality control. The Company's strategy is to maintain and improve its competitive position by developing technologically advanced vehicles. Over the years, the Company has enhanced its technological strengths through extensive in-house R&D activities, particularly through the Company's advanced engineering and design centers. These centralise the Company's capabilities in product design and engineering. Further, the Company is pursuing various quality improvement programmes, both internally and its suppliers' operations, in an effort to enhance customer satisfaction and reduce future warranty costs.

Underperformance of distribution channels and supply chains: The Company products are sold and serviced through a network of authorized dealers and service centers across the domestic market, and a network of distributors and local dealers in international markets. The Company monitors the performance of its dealers and distributors and provides them with support to enable them to perform to the expectations. Any under-performance by the dealers or distributors could adversely affect the Company's sales and results of operations.

The Company relies on third parties to supply raw materials, parts and components used in the manufacture of products. Furthermore, for some of these parts and components, the Company is dependent on a single source. The Company's ability to procure supplies in a cost effective and timely manner is subject to various factors, some of which are not within its control. While the Company manages its supply chain as part of the vendor management process, any significant problems with supply chain in the future could affect the results of operations. Impact of natural disasters and man-made accidents, adverse economic conditions, decline in automobile demand, lack of access to sufficient financing arrangements could have a negative financial impact on the Company's suppliers and distributors, in turn impairing timely availability of components, or increases in costs of components.

The tragic earthquake and tsunami in Japan in March 2011, shows the vulnerability of the automotive supply chain to external shocks. Several suppliers to the automotive industry, including those to the Company, were severely impacted by the earthquake and tsunami and its after-effects. The Company, however, managed to avoid any production disruption by working with its overall supply base to temporarily resource components and help Japanese suppliers to restart production.

In managing a complex supply chain the Company has developed close relationships with both direct and indirect suppliers. The Company continues to develop long-term strategic relationships with suppliers to support the development of parts, technology and production facilities.

With respect to Jaguar Land Rover operations, as part of a separation agreement from Ford, the Company entered into supply agreements with Ford and certain other third parties for critical components. Any disruption of such transitional services could have a material adverse impact on the operations and financial condition.

Changes in tax, tariff or fiscal policies and regulations: Imposition of any additional taxes and levies designed to limit the use of automobiles could adversely affect the demand for the Company's vehicles and the results of operations. Changes in corporate and other taxation policies as well as changes in export and other incentives given by the various governments, could also adversely affect the results of operations. The Government of India had proposed a comprehensive national goods and services tax, or GST, regime that will combine taxes and levies by the central and state governments into one unified rate structure. The same was to be effective from April 1, 2012, but its implementation has been deferred. While both the Government of India and other state governments of India have publicly announced that all committed incentives will be protected following the implementation of the GST, there is no clarity all aspects of the tax regime following implementation of the GST. The implementation of this rationalized tax structure might be affected by any disagreement between certain state governments, which could create uncertainty.

The Direct Tax Code Bill 2010, or DTC, proposes to replace the existing Income Tax Act, 1961 and other direct tax laws, with a view to simplify and rationalize the tax provisions into one unified code. The DTC is currently proposed to come into effect from April 1, 2013. The various proposals included in DTC are subject to review by Indian parliament and as such impact if any, is not quantifiable at this stage.

Further, Brazil has recently increased import duty for foreign build vehicles which put pressure on margins. The Company is considering a number of options to counter this issue, including discussions with the Brazilian government to exempt a number of imported vehicles from the increased tariff.

Political instability, wars, terrorism, multinational conflicts, natural disasters, fuel shortages / prices, epidemics, labour strikes: The Company's products are exported to a number of geographical markets and the Company plans to expand international operations further in the future. Consequently, the Company is subject to various risks associated with conducting the business both within and outside the domestic market and the operations may be subject to political instability, wars, terrorism, regional and / or multinational conflicts, natural disasters, fuel shortages, epidemics and labour strikes. In addition, conducting business internationally, especially in emerging markets, exposes the Company to additional risks, including adverse changes in economic and government policies, unpredictable shifts in regulation, inconsistent application of existing laws and regulations, unclear regulatory and taxation systems and divergent commercial and employment practices and procedures.

Product liability, warranty and recall: The Company is subject to risks and costs associated with product liability, warranties and recalls, should the Company supply defective products, parts, or related after-sales services, including by generating negative publicity, which may adversely affect the Company's business, results of operations and financial conditions. Such events also require the Company, expend considerable resources in correcting these problems and could adversely affect the demand for the products. Furthermore, the Company may also be subject to class actions or other large scale product liability or other lawsuits in various jurisdictions in which it has a significant presence.

Jaguar Land Rover Pension obligations: The Company provides post-retirement and pension benefits to its employees, some of which are defined benefit plans. The pension liabilities are generally funded and the pension plan assets are particularly significant. As part of its Strategic Business Review process, the Company closed the Jaguar Land Rover defined benefit pension plan to new joiners as at April 19, 2010. All new employees in the operations from April 19, 2010 have joined a new defined contribution pension plan.

Lower return on pension fund assets, changes in market conditions, changes in interest rates, changes in inflation rates and adverse changes in other critical actuarial assumptions, may impact its pension liabilities and consequently increase funding requirements, which will adversely affect the Company's financial condition and results of operations.

Automobile financing business: The Company is subject to risks associated with its automobile financing business. Any defaults by the customers or inability to repay installments as due, could adversely affect the business, results of operations and cash flows. In addition, any downgrades in the Company's credit ratings may increase the borrowing costs and restrict the access to the debt markets. Over time, and particularly in the event of any credit rating downgrades, market volatility, market disruption, regulatory changes or otherwise, the Company may need to reduce the amount of financing receivables it originates, which could adversely affect the ability to support the sale of vehicles.

Further, Jaguar Land Rover offers residual value guarantees on the purchase of certain leases in some markets. The value of these guarantees is dependent on used car valuations in those markets at the end of the lease, which is subject to change. Consequently, the Company may be adversely affected by movements in used car valuations in these markets. Also, Jaguar Land Rover has arrangements in place with FGA Capital, a joint venture between Fiat Auto and Credit Agricole (FGAC) for the UK and European consumer finance, Chase Auto Finance in North America, and has similar arrangements with local providers in a number of other key markets. The Company works closely with its commercial finance providers to minimize the risk around residual values which in turn reduces the level of lease subvention.

Labour unrest: The Company's permanent employees, other than officers and managers, in India and most of the permanent employees in South Korea and the United Kingdom, including certain officers and managers, in relation to automotive business, are members of labour unions. They are covered by wage agreements, where applicable, with those labour unions.

In general, the Company considers labour relations with all of employees to be good. However, in the future the Company may be subject to labour unrest, which may delay or disrupt the operations in the affected regions, including the acquisition of raw materials and parts, the manufacture, sales and distribution of products and the provision of services. If work stoppages or lock-outs at the facilities or at the facilities of the major vendors occur or continue for a long period of time, the business, financial condition and results of operations of the Company may be adversely affected.

Jaguar Land Rover operations in key mature market: Jaguar Land Rover, which contributes approximately 63% of the Company's consolidated revenues, has a significant presence in the United Kingdom, North American and continental European markets. The global economic downturn significantly impacted the automotive industry in these markets in FY 2008-09. Even though sales of passenger cars were aided by government-sponsored car-scrap incentives, these incentives primarily benefited the compact and micro-compact car segments and had virtually no slowing effect on the sales declines in the premium car or all-terrain vehicle segments in which we operate. Although demand in these markets has recovered strongly, any decline in demand for the Company's vehicles in these major markets may in the future significantly impair the Company's business, financial position and results of operations. The strategy, which includes new product launches and expansion into growing markets, such as China, India, Russia and Brazil, may not be sufficient to mitigate a decrease in demand for the Company's products in mature markets in the future.

Growing business through mergers and acquisitions: The Company believes that its acquisitions provide opportunities to grow significantly in the global automobile markets by offering premium brands and products. The acquisitions have provided access to technology and additional capabilities while also offering potential synergies. However, the scale, scope and nature of the integration required in connection with acquisitions present significant challenges, and the Company may be unable to integrate the relevant subsidiaries, divisions and facilities effectively within our expected schedule. An acquisition may not meet the Company's expectations and the realization of the anticipated benefits may be blocked, delayed or reduced as a result of numerous factors, some of which are outside the Company's control.

The Company will continue to evaluate growth opportunities through suitable mergers and acquisitions in the future. Growth through mergers and acquisitions involves business risks, including unforeseen contingent risks or latent business liabilities that may only become apparent after the merger or acquisition is completed. The key success factors will be seamless integration and effective management of the merged/acquired entity, retention of key personnel, and generating cash flow from synergies in engineering and sourcing, joint sales and marketing efforts, and management of a larger business.

Inability to protect or preserve intellectual property: With respect to Jaguar Land Rover, the Company owns or otherwise has rights to a number of patents relating to the products, which have been obtained over a period of years. In connection with the design and engineering of new vehicles and the enhancement of existing models, the Company seeks to regularly develop new technical designs for use in its vehicles. The Company also uses technical designs which are the intellectual property of third parties with such third parties' consent. These patents and trademarks have been of value in the growth of the business and may continue to be of value in the future. Although the Company does not regard any of its businesses as being dependent upon any single patent or related group of patents, an inability to protect this intellectual property generally, or the illegal breach of some or a large group of our intellectual property rights, would have a materially adverse effect on the Company's operations, business and / or financial condition. The Company may also be affected by restrictions on the use of intellectual property rights held by third parties and it may be held legally liable for the infringement of the intellectual property rights of others in its products.

Although the Company does not regard any of its businesses as being dependent upon any single patent or related group of patents, its inability to protect this intellectual property generally, or the illegal breach of some or a large group of the company's intellectual property rights, would have a materially adverse effect on the Company's operations, business and / or financial condition.

Inability to manage growing international business: The Company's growth strategy relies on the expansion of its operations by introducing certain automotive products in other parts of the world, including Europe, China, Russia, Brazil, US, Africa, and other parts of Asia. The costs associated with entering and establishing in new markets, and expanding such operations, may be higher than expected, and the Company may face significant competition in those regions. In addition, the Company's international business is subject to many actual and potential risks and challenges, including language barriers, cultural differences and other difficulties in staffing and managing overseas operations, inherent difficulties and delays in contract enforcement and the collection of receivables under the legal systems of some foreign countries, the risk of non-tariff barriers, other restrictions on foreign trade or investment sanctions, and the burdens of complying with a wide variety of foreign laws and regulations.

Insurance coverage may not be adequate to protect us against all potential losses: The Company believes that the insurance coverage that it maintain is reasonably adequate to cover all normal risks associated with the operation of our business. To the extent that we suffer loss or damage that is not covered by insurance or which exceeds our insurance coverage, our financial condition may be affected.

Manufacturing and engineering: The Company has manufacturing facilities and design and engineering centres, located in India, the United Kingdom, South Korea, Thailand, Spain and South Africa. The Company could experience disruption to its manufacturing, design and engineering capabilities for a variety of reasons, including, among others, extreme weather, fire, theft, system failures, natural calamities, mechanical or equipment failures and similar risks. Any significant disruptions could adversely affect the Company's ability to design, manufacture and sell the Company's products and, if any of those events were to occur, the Company cannot be certain that the company would be able to shift its design, engineering and manufacturing operations to alternative sites in a timely manner or at all. Any such disruption could therefore materially affect the Company's business, financial condition or results of operations.

Regulation of production facilities: The Company's production facilities are subject to a wide range of environmental, health and safety requirements. These requirements address, among other things, air emissions, wastewater discharges, accidental releases into the environment, human exposure to hazardous materials, the storage, treatment, transportation and disposal of wastes and hazardous materials, the investigation and clean up of contamination, process safety and the maintenance of safe conditions in the workplace. Many of the Company's operations require permits and controls to monitor or prevent pollution. The Company has incurred, and will continue to incur, substantial on-going capital and operating expenditures to ensure compliance with current and future environmental, health and safety laws and regulations or their more stringent enforcement. Other environmental, health and safety laws and regulations could impose restrictions or onerous conditions on the availability or the use of raw materials required for the Company's manufacturing process. The Company's manufacturing process results in the emission of greenhouse gases such as carbon dioxide.

For Jaguar Land Rover operations, the EU Emissions Trading Scheme, an EU-wide system in which allowances to emit greenhouse gases are issued and traded, is anticipated to cover more industrial facilities and become progressively more stringent over time, including by reducing the number of allowances that will be allocated free of cost to manufacturing facilities. In addition, a number of further legislative and regulatory measures to address greenhouse gas emissions, including national laws and the Kyoto Protocol, are in various phases of discussion or implementation. These measures could result in increased costs to: (i) operate and maintain the company's production facilities; (ii) install new emissions controls; (iii) purchase or otherwise obtain allowances to emit greenhouse gases; and (iv) administer and manage the company's greenhouse gas emissions programme.

Inability to attract and retain skills: The Company believes that the Company's growth and future success depend in large part on the skills of the Company's workforce, including executives and officers, as well as the designers and engineers. The loss of the services of one or more of these employees could impair the Company's ability to continue to implement its business strategy. The Company's success also depends, in part, on the Company's continued ability to attract and retain experienced and qualified employees, particularly qualified engineers with expertise in automotive design and production. The competition for such employees is intense, and the Company's inability to continue to attract, retain and motivate employees could adversely affect its business and plans to invest in the development of new designs and products.

Outlook

In India, the current year ended with slow growth in most of the critical segments, mainly due to anti inflationary monetary policy pursued by the RBI. The current fiscal has started with a positive action by the RBI of easing of the monetary policy in April 2012, with an expectation of moderating the inflation. However, a series of such cuts would be required to revive industrial growth. Liquidity in the banking system which remained in the deficit for the whole of FY 2011-12, remains a concern. While the situation is improving in Q1 of FY 2012-13, this remains critical to ensuring sustainable growth

While there continues to concurrence over deteriorating Government finances and slowing pace of reforms, there is an expectation of fiscal consolidation back on track giving fillip to savings and capital formation. The service sector will continue to contribute positively. On the assumptions of good monsoon, the growth in agriculture is likely to be rebound. The RBI is likely to ease the monetary policy based on review of inflation. The Indian economy is likely to grow moderately at 7.6% (+ -0.25%). These factors could improve investment outlook on disposable income from Q2 of FY 2012-13.

Input costs continue to remain under pressure from increasing commodity prices. With increased intensity in the competitive scenario, pricing power remains limited and margins are likely to be under pressure.

Against this backdrop, the Company will continue to focus on providing new products and solutions to the customer with a view to reduce the Total Cost of Ownership. Along with initial acquisition price, the focus would be on improving fuel efficiency and reducing maintenance costs of the vehicles. With a view to maintain its advantage of reach and penetration, the

Company will also deepen its sales and service network with a focus on up-country markets. Aggressive cost reduction continues to be a focus area to offset the increased input costs and continuously improve margins. The Company is also actively pursuing opportunities in the International markets including the possibility of CKD and SKD assembly to offset high import costs.

The Company will continue its initiative of setting up Nano Specific and UV Specific dealerships to improve reach and penetration along with providing an added focus to the products as required. It will continue to work with all partners as well as multiple financiers to work towards a best-in-class sales and service experience.

The European economy continues to struggle, with austerity measures in place in a number of countries. The economic situation and recent national election results continue to create uncertainty around European zone stability, the Euro and borrowing costs. Credit continues to be difficult to obtain for customers and the outlook remains volatile. Initial figures suggest that the UK economy has re-entered recession in the last three months. Trading conditions in the UK remain difficult. The US economy has recovered more favourably than other mature economies since the economic downturn, with GDP growth and falling unemployment, although the position remains fragile.

The Chinese economy has continued to grow strongly throughout FY 2011-12. GDP growth is likely to slow in future, although may remain above 8%. The Asia Pacific region main markets are Japan, Australia and New Zealand. These regions were less affected by the economic crisis compared to western economies and are recovering more favourably, often due to increased trade with China and other growth economies. The major constituents in other markets are Russia, South Africa and Brazil, alongside the rest of Africa and South America. These economies were not as badly affected by the economic crisis as the western economies and have continued GDP growth in the last few years, partially on the back of increased commodity and oil prices.

Jaguar Land Rover will continue to focus on profitable volume growth, managing costs, improving efficiencies to sustain the growth momentum and continuous sustainable investments in technology and products. It will also focus on increasing its presence in the growth markets such as China, Russia, India and Brazil along with launching new products and variants.

Internal Control Systems and their adequacy

The Company has an adequate system of internal controls in place. It has documented procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations and for ensuring reliability of financial reporting. The Company has continued its efforts to align all its processes and controls with global best practices in these areas as well.

Some significant features of the internal control systems are:

- Preparation and monitoring of annual budgets for all operating and service functions;
- State-of-the-art ERP, Supplier Relations Management and Customer Relations Management, connect its different locations, dealers and vendors for efficient and seamless information exchange;
- An on-going program for reinforcement of the Tata Code of Conduct. The Code covers integrity of financial reporting, ethical conduct, regulatory compliance, conflict of interests review and reporting of concerns.
- A well-established multi-disciplinary Internal Audit team, which reviews and reports to management and the Audit Committee about the compliance with internal controls

and the efficiency and effectiveness of operations and the key process risks. The scope and authority of the Internal Audit division is derived from the Audit Charter approved by the Audit Committee;

- Audit Committee of the Board of Directors, comprising independent directors, which is functional since August 1988, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with Accounting Standards as well as reasons for changes in accounting policies and practices, if any;
- A comprehensive information security policy and continuous upgrades to IT system;
- Documenting of major business processes and testing thereof including financial closing, computer controls and entity level controls as part of compliance with Sarbanes-Oxley Act;
- Anti-fraud programme.

The Board takes responsibility for the total process of risk management in the organisation. The Audit Committee reviews reports covering operational, financial and other business risk areas. Through an Enterprise Risk Management programme, each Business Unit addresses opportunities and the attendant risks through an institutionalized approach aligned to the Company's objectives. This is also facilitated by internal audit. The business risk is managed through cross functional involvement and communication across businesses. The results of the risk assessment and residual risks are presented to the senior management.

Material Developments in Human Resources/Industrial Relations

A cordial industrial relations environment prevailed at all the manufacturing units of the Company during the year. The permanent employees' strength of the Company (standalone) was 29,401 and that of the Tata Motors' Group (consolidated) was 58,618 as on March 31, 2012. The Company entered into a three year wage settlement with its Union at Lucknow and Uttaranchal through amicable process of negotiations.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objective, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand /supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.