

AUDITORS' REPORT

TO THE MEMBERS OF TATA MOTORS LIMITED

1. We have audited the attached Balance Sheet of **TATA MOTORS LIMITED** ("the Company") as at March 31, 2012, the Profit and Loss Statement and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Statement and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Statement and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) in the case of the Profit and Loss Statement, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

N. VENKATRAM
Partner
(Membership No.71387)

MUMBAI, May 29, 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business activities during the year are such that clauses (xiii), and (xiv) of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification;
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal, in our opinion, has not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the stock of finished goods (other than a significant part of the spare parts held for sale) and work-in-progress in the Company's custody have been physically verified by the Management as at the end of the financial year, before the year-end or after the year-end, and in respect of stocks of stores and spares, the aforesaid spare parts held for sale, and raw materials in the Company's custody, there is a perpetual inventory system and a substantial portion of the stocks have been verified during the year. In our opinion, the frequency of verification is reasonable. In case of materials and spare parts held for sale lying with the third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held during the year or at the year-end;
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business;
 - (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the operations of the Company and have been properly dealt with in the books of account.
- (iv) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) the Company has granted unsecured loans aggregating ₹521.33 Crores to four parties covered in the register maintained under Section 301 of the Companies Act, 1956 (including ₹86.92 Crores granted during the year to two parties). At the year-end, the outstanding balances of such loans aggregated ₹579.36 Crores and maximum amount outstanding during the year was ₹579.36 Crores.
 - (b) the rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interest of the Company having regard to the market yields and the business relationship with the Company to whom loans have been granted.
 - (c) The receipts of principal amount have been as per stipulations. However, there have been delays in receipts of interest.
 - (d) There are no overdue amounts in respect of principal amount outstanding. In respect of overdue interest amounts of more than rupees one lakh remaining outstanding as at the year-end, except in respect of interest outstanding from a subsidiary company for which the provision has been made, the Management has taken reasonable steps for the recovery of the overdue interest amounts.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

ANNEXURE TO THE AUDITORS' REPORT

- (e) the Company has taken loans aggregating ₹11.52 Crores from six parties covered in the Register maintained under Section 301 of the Companies Act, 1956. At the year-end, the outstanding balance of such loans taken aggregated ₹ 0.20 Crores and the maximum amount outstanding during the year was ₹11.92 Crores.
- (f) the rate of interest and other terms and conditions of such loans taken are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
- (g) The principal amount is not due for repayment and the Company has been regular in payment of interest.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the register maintained under the said section have been so entered.
 - (b) Where each of such transaction is in excess of rupees five lakhs in respect of any party, and having regard to our comments in para (v) above, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- (vii) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- (viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (ix) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie*, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (x) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing with the appropriate authorities undisputed dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. With regard to the contribution under the Employees' Deposit Linked Insurance Scheme, 1976 (the Scheme), we are informed that the Company has its own Life Cover Scheme, and consequently, an application has been made seeking an extension of exemption from contribution to the Scheme, which is awaited.
 - (b) There were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to the Company that were in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.

ANNEXURE TO THE AUDITORS' REPORT

(c) Details of dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited as on March 31, 2012 on account of any disputes are given below:

Nature of the Statute	Nature of the Dues	Amount (₹in crores)	Period to which the amount relates to	Forum where Pending
Income Tax Laws	Income Tax	7.48	1998-99, 1999-00, 2005-06	Appellate Tribunal
	Income Tax	45.24	2003-04 to 2010-11	Commissioner
Central Excise Laws	Excise Duty & Service Tax	6.53	2008-09 to 2011-12	High Court
	Excise Duty & Service Tax	564.55	2004-05 to 2011-12	Appellate Tribunal
	Excise Duty & Service Tax	77.24	1984-85, 1995-96, 2003-04, 2006-07 to 2011-12	Commissioner (Appeals)
	Excise Duty & Service Tax	0.20	2011-12	Additional Commissioner
	Excise Duty & Service Tax	0.03	2011-12	Deputy Commissioner
Sales Tax Laws	Sales Tax	13.01	1995-96	Supreme Court
	Sales Tax	77.52	1984-85 to 1990-91, 1993-94, 1994-95, 1997-98, 2000-01, 2002-03, 2005-06 to 2007-08	High Court
	Sales Tax	21.46	1988-89, 1989-90, 1992-93, 1994-95, 1995-96, 1998-99 to 2000-01, 2002-03 to 2007-08, 2010-11	Tribunal
	Sales Tax	0.20	1996-97, 1998-99, 2001-02	Commissioner (Appeals)
	Sales Tax	215.79	1997-98, 1999-00, 2001-02 to 2008-09	Joint Commissioner
	Sales Tax	24.34	1988-89, 1989-90, 1995-96, 1997-98, 2005-06 to 2007-08, 2009-10, 2010-11	Additional Commissioner
	Sales Tax	1.26	1979-80, 1994-95 to 1997-98, 2000-01, 2003-04, 2006-07, 2010-11	Deputy Commissioner
	Sales Tax	0.07	1986-87, 1995-96, 1997-98, 1988-89, 1990-91, 1999-2000	Assistant Commissioner
	Sales Tax	0.44	1995-96, 2000-01, 2001-02, 2004-05, 2006-07, 2007-08, 2009-10	Trade Tax Officer

(xi) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.

ANNEXURE TO THE AUDITORS' REPORT

- (xiii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause (xv) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xvi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, as at March 31, 2012, we report that funds raised on short term basis of `3,595.61 Crores have been used during the year for long-term investment. Further the Company has explained that steps are being taken to augment long term funds.
- (xvii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xviii) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any secured debentures. .
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the Company has not raised any money by public issue.
- (xx) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Registration No. 117366W)

N. VENKATRAM

Partner
(Membership No.71387)

MUMBAI, May 29, 2012.