

# DIRECTORS' REPORT

## TO THE MEMBERS OF TATA MOTORS LIMITED

The Directors present their Sixty-Ninth Annual Report and the Audited Financial Statement for FY 2013-14. As required under the Ministry of Corporate Affairs' General Circular 08/2014 No. 1/19/2013-CL-V dated April 4, 2014, the Financial Statements and other reports required to be attached to the Annual Report for FY 2013-14 are governed by the relevant provisions, schedules, rules of the Companies Act, 1956.

## FINANCIAL PERFORMANCE SUMMARY

(₹ in crores)

	Company (Standalone)		Tata Motors Group (Consolidated)	
	FY 2013-14	FY 2012-13	FY 2013-14	FY 2012-13
<b>Financial Results</b>				
Gross revenue	37,758.00	49,319.73	236,626.43	193,698.47
Net revenue (excluding excise duty)	34,288.11	44,765.72	232,833.66	188,792.69
Total expenditure	34,770.52	42,631.65	195,430.75	162,175.12
Operating profit / (loss)	(482.41)	2,134.07	37,402.91	26,617.57
Other income	3,833.03	2,088.20	828.59	815.59
Profit before Finance cost, depreciation, amortization, exceptional item and tax	3,350.62	4,222.27	38,231.50	27,433.16
Finance cost	1,337.52	1,387.76	4,733.78	3,560.25
Cash profit	2,013.10	2,834.51	33,497.72	23,872.91
Depreciation, amortization and product development / engineering expenses	2,499.04	2,243.38	13,643.37	9,622.87
Profit / (loss) for year before exceptional items and tax	(485.94)	591.13	19,854.35	14,250.04
Exceptional items - loss (net)	539.86	416.20	985.38	602.71
Profit / (loss) before tax	(1,025.80)	174.93	18,868.97	13,647.33
Tax expenses / (credit)	(1,360.32)	(126.88)	4,764.79	3,776.66
Profit after tax	334.52	301.81	14,104.18	9,870.67
Share of minority interest and share of profit of associates (net)	-	-	(113.16)	21.94
<b>Profit for the year</b>	<b>334.52</b>	<b>301.81</b>	<b>13,991.02</b>	<b>9,892.61</b>
<b>Appropriations</b>				
<b>Profit for the year</b>	<b>334.52</b>	<b>301.81</b>	<b>13,991.02</b>	<b>9,892.61</b>
Add: Balance brought forward from previous year	1,342.79	1,663.91	27,305.87	18,162.02
<b>Amount available for appropriations</b>	<b>1,677.31</b>	<b>1,965.72</b>	<b>41,296.89</b>	<b>28,054.63</b>
Less: appropriations / (transfer from)				
Debenture Redemption Reserve	-	(130.00)	-	(130.00)
General Reserve	33.45	30.18	54.45	59.48
Other Reserves	-	-	21.88	63.14
Dividend (including dividend distribution tax)	666.27	722.75	690.08	756.14
<b>Balance carried to Balance Sheet</b>	<b>977.59</b>	<b>1,342.79</b>	<b>40,530.48</b>	<b>27,305.87</b>

## DIVIDEND

Considering the Company's financial performance, the Directors have recommended a dividend of ₹2/- per share (100%) on the capital of 2,736,713,122 Ordinary Shares of ₹2/- each and ₹2.10 per share (105%) on 481,966,945 'A' Ordinary Shares of ₹2/- each for FY 2013-14 (same as for FY 2012-13) and the same will be paid on or after August 1, 2014. The said dividend, if approved by the Members, would involve a cash outflow of ₹742 crores (previous year: ₹728 crores) including dividend distribution tax, resulting in a payout of 222% (FY 2012-13: 241%) of the standalone profits for the year and 5% (previous year: 7%) of the consolidated profits of the Company.

## OPERATING RESULTS AND PROFITS

The Global operating environment improved considerably in FY 2013-14, as economic activity strengthened and spending in most economies began to recover, however in a sporadic manner. Whilst the advanced economies, particularly the US and UK, led the rebound, as growth became broader and more entrenched, Europe saw the first tentative signs of recovery after a long and painful slowdown. India's economic growth rate in the current financial year remained weak at 4.7% (Previous Year: at 4.5%). The Industrial activity remained weak and the stagnation was broad based. Mining and manufacturing output remained negative and the economy witnessed decline in investment in new projects in line with slowdown in overall growth. FY 2013-14 was a challenging year for the Company as the Indian economy continued to be under severe stress.

The **Tata Motors Group** recorded a 22.2% growth in gross turnover from ₹193,698 crores in the previous year to ₹236,626 crores in FY 2013-14. This is the highest turnover recorded by the Group. The consolidated revenues (net of excise) for FY 2013-14 of ₹232,834 crores grew by 23.3% over last year on the back of strong growth in volumes across products and markets at Jaguar Land Rover. The consolidated EBITDA margins for FY 2013-14 stood at 16.1%. Consequently, Profit Before Tax and Profit After Tax were ₹18,869 crores and ₹13,991 crores, respectively.

**Tata Motors Limited** recorded a gross turnover of ₹37,758 crores, 23.4% lower from ₹49,320 crores in the previous year. On top of a 16.7% decline in FY 2012-13, a decline of more than 40% over a 2 year period was witnessed. Sustained deceleration in the economic growth, high inflation, higher fuel prices, reduced availability of finance and

elevated interest rate regime continued to impact demand for the Indian auto industry in general and commercial vehicle industry in particular. Additionally, the need to increase marketing expenses on account of severe competitive intensity and depressed market scenario impacted EBITDA margins from positive 4.8% in FY 2012-13 to negative 1.4% for FY 2013-14. The reduction of profits from operations was offset by dividend from subsidiary companies of ₹1,574 crores (including dividend from JLR) as compared to ₹1,584 crores for the previous year and profit of ₹1,966 crores on divestment of investments in certain foreign subsidiaries to TML Holdings Pte Ltd, Singapore, a wholly owned subsidiary. Loss Before Tax and Profit After Tax for the FY 2013-14 were at ₹1,026 crores and ₹335 crores respectively, as compared to Profit Before Tax and Profit After Tax of ₹175 crores and ₹302 crores respectively in FY 2012-13.

With the expected positive momentum in the Indian economy, the Company is focused on growth and achieving profitability through a superior new product pipeline along with a renewed commitment to enhance quality and customer service and to reduce costs. The Horizonext strategy unveiled in the Delhi Auto Expo shed light on some of the new and exciting product initiatives like Zest, Bolt, improved Nano, Ultra trucks variants on Prima truck platform and a slew of other modified and refreshed products which will be introduced in the near future, boosting the Company's revenues. Investment in the right products and vehicle platforms are being made to ensure a competitive pipeline for the future. Together with forward looking product strategy, the Company is also focusing extensively on right sizing the business and operational improvements through various strategic projects for operational excellence and cost cutting initiatives.

**Jaguar Land Rover** recorded a turnover of GB£19,386 million, a growth of 22.8% from GB£15,784 million in the previous year. JLR had a successful year of continued growth in all markets with overall volumes up by 16%, reflecting continued product successes including the launch of the new Range Rover Sport and Jaguar F-TYPE and a full year of sales of the new Range Rover. More established models have also been performing well, in particular derivatives such as the XF Sportbrake and all-wheel drive and smaller engine options across the range. Consolidated EBITDA for FY 2013-14 was a record GB£3,393 million, an increase of 45.1% compared to FY 2012-13. The EBITDA improvement comprises increased sales volumes and revenues, as well as favourable product and market mix. Profit before tax (PBT) for FY 2013-14 was GB£2,501 million, an increase of GB£827 million (49%)

compared to FY 2012-13. In FY 2013-14, JLR incurred one off costs for redemption of the higher coupon GB£500 million and US\$410 million 2018 Notes (at 8.125% and 7.75% coupon respectively). The bond redemption was pre-financed by the successful issuances of US\$700 million 4.125% 2018 Notes and GB£400 million 5% 2022 Notes, to reduce the Company's overall cost of debt in line with the improving credit. (Jaguar Land Rover's figures are as per IFRS)

**Tata Motors Finance Limited**, the Company's captive financing subsidiary, registered total revenues of ₹3,026 crores higher by 7% of FY 2012-13 revenues and reported a Profit After Tax of ₹101 crores in FY 2013-14 (FY 2012-13: ₹309 crores). The results for the year were impacted due to tightness in the financial market, stress in the business environment and the consequent higher provision on account of Non-Performing Assets.

**Tata Daewoo Commercial Vehicle Company Limited**, South Korea registered revenues of KRW 884.1 billion (₹4,906 crores), a growth of 7.3% over the previous year. The positive impact of higher volume, various cost control initiatives and price increase in export market allowed company to achieve profit after tax of KRW 23.5 billion (₹130.4 crores) [FY 2012-13: loss of KRW 9.2 billion (₹45 crores)] (TDCV Figures are as per Korean GAAP).

## VEHICLE SALES AND MARKET SHARES

The Tata Motors Group sales for the year stood at 10,20,546 vehicles, lower by 14.4% as compared to FY 2012-13. Global sales of all Commercial Vehicles were 432,600 vehicles, while sales of Passenger Vehicles were at 587,946 vehicles.

### TATA MOTORS

**Tata Motors** recorded sales of 569,677 vehicles, a decline of 30.2% over FY 2012-13. Industry decline during the year was at 9.3%, resulting in the Company's market share decreasing to 16.6% in the Indian automotive industry from 22.1% in the previous year. The Company exported 49,922 vehicles, lower by 2.0%, as compared to FY 2012-13.

#### Commercial Vehicles

Within the domestic market, the Company sold 3,77,909 Commercial Vehicles (CV), a decline of 29.5% from FY 2012-13. This represented a market leadership share of 54.1% in the domestic CV market which was mainly supported by consolidation in M&HCV segment.

Some of the highlights for the year were:

- While the overall industry of M&HCV sales declined, the Company was able to improve market share by 1.6% to stand at 54.9%. A series of products were launched in this segment to augment the portfolio of product offerings and increase market share. These included the **Prima LX series of trucks** – a perfect combination of economy and technology – 2523T, 3123T, 4028S (Single reduction and Hub reduction) and 4928S (Single reduction and Hub reduction), 4923.S LX, Prima 4938 Tractor, 3138K Tipper, LPT 3723 - India's first 5 axle truck and LPK 3118, and **Prima LX series of Tippers** – 2523K, 3123K, 2528K and 3128K.
- Other activities to stimulate market sentiments included the pioneering **T1 Prima Truck Racing Championship** event as well as the successful value added services, power of five campaign for trucks focusing on – 1) Better KMPL, 2) Best Vehicle Uptime, 3) Highest Resale Value, 4) Best in class four year warranty, and 5) Lowest maintenance cost and five powerful offerings – a) Triple benefit insurance, b) Increased Oil change interval, c) four Year AMC, d) Tata Alert, and e) Fleetman.
- The bus segment also witnessed reversal in market share through intensive sales efforts coupled with launch of buses with mechanical Fuel Injection Pump (FIP), introduction of **Starbus Ultra** in Stage carriage, marketing initiatives such as '**Humare Bus Ki Baat Hain**' and '**Dream it to win it**' program. The warranty for M&HCV buses and trucks were increased to three years and four years respectively, symbolizing improvement in quality. The 'Tata Alert' service, to return a vehicle back on road within 48 hours, has been expanded across all national highways.
- The **LCV segment**, which registered good growth last year, did not continue its run this year. More specifically a decline in SCV segment due to vehicle financing constraints was a major problem. Fund availability is the most critical element for SCV segment. The high default rates in CV loans coupled with early delinquencies have instigated financiers to tighten lending norms, reduce the (LTV) ratio with focus on collections impacted the SCV Cargo and SCV Passenger segments quite sharply. Some of launches this year included the **Ace and Magic DICOR** and facelifts.

## Passenger Vehicles

The domestic passenger car industry was affected mainly by weak sentiments, high cost of ownership, high interest rates, fuel prices and reduction in discretionary spends. Overall growth in the domestic passenger vehicle industry was negative by 4.7% in FY 2013-14. During the year, the Company's Passenger Vehicles sales were lower by 38.1% at 141,846 vehicles, registering a 5.8% market share. However, the premium and luxury segment of the Company grew by 73.3% compared to last year. The Company sold 1,09,279 cars and 32,567 utility vehicles and vans, lower by 39.5% and 33.3% respectively, over the previous year. The Company's sales in the mid-size segment suffered as competitive activity intensified with multiple new launches in this segment. The Company has taken various initiatives to improve its performances such as product refreshes/launch programmes, operational efficiency, dealer effectiveness, working capital management and restructuring customer facing functions. The Company sold 2,805 vehicles of Jaguar Land Rover brands during FY 2013-14, a growth of 12.5%. This performance was driven by **Jaguar XF** sales that grew by 119% in FY 2013-14. The estimated market share increased from 9% to 10% in FY 2013-14. The JLR dealer network in India grew from 18 to 21 outlets by addition of 3 3S facilities, besides setting up 2 2S Workshops, and 11 **Used Car Outlets**.

Some of the highlights of this year's performance were:

- ▶ Unveiled the **Horizonext** Strategy in the Delhi Expo.
- ▶ Announced the launch of the all new **Bolt Hatchback** and **Zest Sedan** in the second half of the next fiscal.
- ▶ Launched the refreshed **Sumo Gold** with improved clutch and performance and new enhanced versions of **Tata Indigo e-CS**, **Tata Nano** and **Tata Indica**.
- ▶ Launched the **Nano Twist** with power steering.
- ▶ Launched the **E-max range** of CNG and petrol bi-fuel systems. - Tata Indica CNG, Tata Indigo CNG and Tata Nano CNG.
- ▶ Launched new **Safari Storme Explorer** edition.
- ▶ Showcased the **Nexon** compact UV and **Connected car concept** at the Delhi Expo.
- ▶ The above launches of the Nano Twist, E-max, Sumo Gold refresh and unveiling of the Bolt, Zest and Connected Car concept were in-line with the Company's objective of taking the brand to a higher level, while making it relevant for the

younger buyer. The Company continued to focus on building brand strengths, refreshing products and enhancing sales and service experience. The Company expanded its new look, stylish, tech savvy best in class flagship Passenger Vehicle showrooms, for superior customer experience.

- ▶ More than 10 major Jaguar and Land Rover product actions in India including major launches of **Jaguar F-TYPE** and the **all-new Range Rover Sport. Land Rover Experience** (Dynamic Drive Off-road Experiences), launch of 1st ever **Land Rover Expedition** and **after-sales customer engagement** initiatives were carried out by setting up **Service Clinics** in various cities.

## Exports

For Tata Motors, traditionally strong markets in South Asia such as Bangladesh and Sri Lanka were affected by internal conflict, political unrest and regulatory changes, especially in first half of FY 2013-14. While sales partially rebounded in second half of FY 2013-14 in Bangladesh and Nepal as a net result, export sales of the Company de-grew by 2% to 49,922 vehicles comprising 43,083 units of CVs and 6,839 units of PVs. With a view to expand its International Business, the Company has entered new markets like Australia and Indonesia and has also prepared to enter Malaysia and Philippines in early FY 2014-15. The Company introduced a host of new products on existing and new platforms in existing and new markets and showcased its vehicles in major auto shows in strategically important markets.

The Company continued to outperform competition in terms of exports of Commercial Vehicles and enjoyed a total CV exports share of 57% in FY 2013-14. Shipments for M & HCV Trucks grew by 34% in FY 2013-14 contributing significantly to the top line and the bottom line of the company. The shipments of SAARC countries and RHD African countries including South Africa, Kenya, Tanzania, Mozambique and Zambia grew by 6% and 12% respectively. The opening of new markets in Australia and Indonesia made up for some of the shortfall in the Middle East and LHD Africa countries.

The Company exported 6,839 Passenger Vehicles. Indica grew (+29%), Indigo grew (+70%) led by Bangladesh, **Safari Storme** had a strong debut with 115% growth and **Sumo** showed steady performance (+2.2%) and was the best-selling vehicle name-plate in Nepal. Tata Passenger vehicles debuted in Philippines and Brunei and also witnessed regular orders from Indonesia.

The Company was awarded the EEPC '**Star Performer Award**' for outstanding contribution in Engineering Exports in the Motor Vehicle – Large Enterprise category. Members attention is also drawn on various export initiatives under '**Foreign Exchange Earnings and Outgo**' in the Annexure.

### JAGUAR LAND ROVER

Jaguar Land Rover (JLR) had a successful year of continued growth in all markets with overall volumes up by 16%, reflecting continued product successes including the launch of the new **Range Rover Sport** and **Jaguar F-TYPE** and a full year of sales of the new **Range Rover**. More established models have also been performing well, in particular derivatives such as the **XF Sportbrake** and all-wheel drive and smaller engine options across the range. Retail volumes have grown across all markets, led by China up by 34% from last year to record retail sales of 103,077; North America and Asia Pacific regions also performed strongly, up by 20% and 28% to 75,671 and 22,795 respectively; UK and Europe, partly reflecting the economic headwinds, showed more modest growth, up by 6% and 2% to 76,721 and 82,854 units respectively. Wholesale volumes for FY 2013-14 were 429,861 units, an increase of 16% on FY 2012-13. At a brand level, wholesale volumes were 79,307 units for Jaguar and 350,554 units for Land Rover, reflecting growth of 37% and 11.6% respectively. Some of the highlights of this year's performance were:

- ▶ Launch of the **all new aluminum Range Rover Sport** in March 2013, with a worldwide roll out in the first half of FY 2013-14.
- ▶ Continued growth of the expanded **Jaguar XF range** with all-wheel drive Version, **new Sportbrake** and smaller and more fuel efficient engine options for the **XF** and **XJ**, launch of the new **Jaguar F-TYPE**.
- ▶ The F-TYPE went on sale to retail customers from April 2013 onwards and since then has received numerous awards and appreciation by the auto media. In November 2013, Jaguar unveiled the F-TYPE Coupé which went on sale in April 2014. In 2013, the F-TYPE won Germany's most prestigious automotive award, the Golden Steering Wheel and the "World Car Design of the Year" award, as well as the "Convertible of the Year" award from Top Gear.
- ▶ At the Frankfurt Motor Show in September 2013, Jaguar revealed its first ever crossover concept vehicle, the **Jaguar C X17**, based on a new modular scalable advanced aluminum architecture, which will allow Jaguar to grow its

product portfolio and target high growth areas of the premium market, beginning with a new mid-sized sedan in 2015. It later announced that the new mid-sized sedan will be named "**Jaguar XE**" at the Geneva Auto show in March 2014 and this will be launched in early 2015.

- ▶ The new "**Discovery Vision**" Concept car was unveiled at New York International Auto Show in April 2014. **Land Rover Discovery Sport** (Freelander replacement) was announced as first new member of Discovery family to be launched in late 2014.
- ▶ Jaguar Land Rover's joint venture with Chery Automobiles, China has been progressing well to develop, manufacture and sell certain Jaguar and Land Rover vehicles and jointly branded vehicles for the Chinese market. The production will start in FY 2014-15.
- ▶ Continued investment in new state-of-the-art facility at Wolverhampton, UK, to manufacture new advanced low emission engines from FY 2014-15.
- ▶ The Company and Jaguar Land Rover participated in various international auto shows displaying its range of products, including at Geneva, New York, Detroit and Jakarta, wherein the displayed products won accolades and a positive response.
- ▶ In addition, JLR has also committed to a manufacturing facility in the State of Rio de Janeiro, Brazil.
- ▶ Further, JLR has signed a Letter of Intent with the National Industrial Clusters Development Program (NICDP) in the Kingdom of Saudi Arabia for set-up of an automotive facility.

### Tata Daewoo Commercial Vehicles Company Limited

Tata Daewoo Commercial Vehicles Company Limited (TDCV) sold 10,600 vehicles, higher by 5% over FY 2012-13. TDCV Domestic sales were at 6,584 vehicles, 2nd highest in its history, registering a growth of 21.9% compared to 5,400 vehicles sold in previous year. However, in Export market sales at 4,016 vehicles was lower by 14.6% compared to 4,700 vehicles of last year mainly due to adverse economic conditions in global markets.

### Tata Motors (Thailand) Limited

Tata Motors Thailand Limited (TMTL) sold 2,480 vehicles in the FY 2013-14, a year which saw the automotive market in Thailand drop

over the previous year by almost 24%. The **Super Ace** vehicles that are currently sold as CBU imports from India showed encouraging signs of acceptability in the market. TMTL continued to expand its dealer network in order to cover most of the provinces in the country. TMTL also dispatched the first lot of test vehicles to Malaysia where regular exports of Xenon are planned beginning FY 2014-15.

### Tata Motors (SA) (PTY) Limited

Tata Motors (SA) (Pty) Ltd (TMSA) sold 821 chassis for the South Africa market in FY 2013-14. TMSA homologated three new models in the LCV category, including a bus chassis LP713 for the first time. It also collaborated with TDCV to assemble a pilot lot of 6 chassis of a tractor truck model with the objective of expanding the TATA presence in the fastest growing (extra Heavy) segment of commercial vehicles in South Africa.

### Tata Motors Finance Limited

The vehicle financing activity is being carried under the brand "Tata Motors Finance" of Tata Motors Finance Limited (TMFL) – a wholly owned subsidiary company.

The sluggish macroeconomic environment and consequent lower demand of all Commercial and Passenger Vehicles led to a significant decline in disbursements. Total disbursements for the year were at ₹8,768 crores - 22% lower than disbursements of ₹11,180 crores in FY 2012-13. A total of 1,57,886 vehicles were financed representing a decline of 38% over the previous year. The disbursements for commercial vehicle were ₹7,504 crores (1,23,989 vehicles) in FY 2013-14 compared to ₹8,815 crores (1,83,514 vehicles) for FY 2012-13. For passenger cars, disbursements were ₹1,214 crores (32,637 vehicles) in FY 2013-14 compared to ₹2,364 crores (70,563 vehicles) in the previous year. The overall market share in terms of the Tata vehicle unit sales in India financed by Tata Motors Finance declined from 33% to 30%.

With a view to de-risk the portfolio and explore additional sources of revenue, the Used Vehicle Finance business was re-launched by seeding the business in select geographies during the year. Disbursements achieved under refinance were at ₹50 crores (1,260 vehicles) during the current year as against ₹2 crores (9 vehicles) in FY 2012-13.

TMFL continued to expand its reach in the market place by opening a number of branches including limited services branches exclusively in Tier 2 and 3 towns. This has also helped in reducing the turn-around times to improve customer satisfaction.

TMFL has further enhanced its "Office of the Customer initiative" and is confident that these investments will pay rich dividends through significantly increased interactions/relations with its customers and dealers. With a highly motivated employee workforce, significantly greater customer orientation and an increased branch network/ field infrastructure, TMFL is poised for significant, sustainable growth and is confident that it would deliver on its vision for the future.

## HUMAN RESOURCES

The Tata Motors Group employed 66,593 permanent employees (previous year: 62,873 employees) as of the year end, out of which 59,535 employees were engaged in automotive operations. The Company employed 29,566 permanent employees (previous year: 30,334 employees) as of the year end. The Tata Motors Group has generally enjoyed cordial relations with its employees and workers.

All employees in India belonging to the operative grades are members of labour unions except at our Sanand and Dharwad plants. All the wage agreements have been renewed in a timely manner and are all valid and subsisting. Operatives 'and Unions' support in implementation of reforms that impact quality, cost erosion and improvements in productivity across all locations which is commendable.

### Safety and Health – Performance and Initiatives

The Company provides a safe and healthy workplace for its employees by establishing the right safety culture across the organization. The senior leadership is fully committed to the ultimate Goal of zero injury to its employees and all stakeholders who are associated with the Company's operations. Emphasis is laid on creating a participatory safety governance model. Safety and Health Environment (SHE) Councils have been formed for both Commercial Vehicle business and Passenger Vehicle business. The Company has come up with Safety Manual for Fully Built Vehicle (FBV) Application Vendors. The Lost Time Injury Frequency Rate (LTIFR) for this year is 0.39%, a reduction of 44% over FY 2012-13. Training and awareness among all concerned has been a key element of the strategic initiative. 5,07,738 man-hours of training have been spent on Safety. The Company has launched a campaign '*i-drive safe*' - A Tata Motors initiative on building a safe driving culture and also training of driver employees with an awareness that the main risk is related to road safety and thereby ensured safe driving



behavior of the drivers. The Company launched health brand logo **'HealthPlus - Because you matter!'** to drive employee health initiatives. Series of initiatives like awareness sessions, mailers, etc. have been conducted under this initiative. The Company has come up with a Health and Wellness manual.

The **Jaguar Land Rover** business has recently restated its commitment of Safety and well-being. The philosophy of this commitment states that the company strives to continuously improve working conditions and promote safe working practices to ensure the safety and well-being of its employees and the wider communities which it engages with. 2013 saw the launch of Jaguar Land Rover's strategic direction on Safety and well-being, **Destination Zero – A Journey to Zero Harm**. The activities to deliver Zero Harm are underpinned with everyone understanding and taking a responsibility for their own and their fellow workers safety and well-being. Health promotion activities take place at all **Jaguar Land Rover** locations, the active use of **'WellPoint Kiosks'** during FY 2013-14 was well received.

At **TDCV Korea**, the accident rate was 1.23% as against 0.18% achieved last year. The increase in accident rate is on account of Muscular Disease which TDCV is incorporating from this year as directed by government body. The safety index was 2.74 against 2.09 achieved last year. **TMTL, Thailand**, completed more than two years of accident free operations. Safety Assessment and Safety Training (on Safety Observations and Leading Safety Efforts) were conducted in Korea and Thailand in June 2013. At **TMSA, South Africa**, a comprehensive Health & Safety Manual was released, which had the Health & Safety policy, all SOP's (Standard Operating Procedures), contingency plans, etc. for TMSA. Safety audits have been initiated with involvement of management employees which is being conducted by an external agency, NOSA.

The Company has continuously endeavoured towards improving gender diversity and creating a safe, just and fair workplace for its employees. The "Sexual Harassment Avoidance and Redressal Policy (SHAR)" of the Company is in line with the Tata Code of Conduct and under this Policy an Apex committee at the corporate centre and location specific committees at local level, have been formed with set guidelines to address issues of sexual harassment at the work place towards any woman associates. The Company is committed to providing equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women

associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office premises or women service providers are covered under this policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

During the year FY 2013-14, the Company has received 20 complaints on sexual harassments and of which 19 were disposed off. 17 cases from these have been substantiated and appropriate action taken. 32 workshops or awareness program were carried out against sexual harassment.

## FINANCE

During the year, the free cash flows for Tata Motors Group were ₹9,226 crores, post spend on capex, design and development of ₹26,925 crores. Tata Motors Group's borrowing as on March 31, 2014, stood at ₹60,642 crores (FY 2012-13: ₹53,716 crores). Cash and bank balances and investments in mutual funds stood at ₹39,206 crores (FY 2012-13: ₹28,624 crores). With healthy profitability and cash flow generation, the Consolidated Net Automotive Debt to Equity Ratio stood at 0.07:1 as on March 31, 2014, as compared to 0.24:1 on March 31, 2013.

Cash flows from operations were ₹2,463 crores for standalone operations of the Company. Spend on capex, design and development were ₹3,094 crores (net). The borrowings of the Company as on March 31, 2014 stood at ₹15,053 crores (FY 2012-13: ₹16,799 crores). Cash and bank balances and investments in mutual funds stood at ₹226 crores (FY 2012-13: ₹822 crores).

During the year, the Company issued notice on April 16, 2013 to the holders of 4% Foreign Currency Convertible Notes, giving them time till June 10, 2013, to elect at their option to either convert the bond into equity or to receive redemption proceeds as per the terms of the indenture. Consequent upon exercise of conversion option, aggregating US\$74.10 million, the Company allotted 28,549,566 Ordinary Shares/ Shares represented by ADSs.

The Company issued rated, listed, unsecured, non-convertible debentures of ₹1,100 crores.

The Company repaid Tranche 3 of ₹1,800 crores of Secured, Rated, Credit Enhanced, Listed, 2% Coupon Non-Convertible Debentures (NCDs) alongwith premium on redemption of ₹658.05 crores. Further, the Company also repaid ₹362.19 crores forming part of the public fixed deposit scheme launched in December 2008.

The Company divested its investments in foreign subsidiary companies – Tata Daewoo Commercial Vehicle Co Ltd, Korea, Tata Motors (Thailand) Ltd, and Tata Motors (SA) (Proprietary) Ltd to TML Holdings Pte Ltd, Singapore, a wholly owned subsidiary.

Due to significant reduction in volumes, the Company had to deploy short term funds to support critical long term finance needs. The Company is in the process of taking appropriate steps to correct this and restructure the Balance Sheet.

At Jaguar Land Rover (as per IFRS), post spend on capex, design and development of GB£2,680 million (₹25,774.36 crores), the free cash flows were GB£1,150 million (₹11,059.90 crores) for FY 2013-14. The borrowings of the Jaguar Land Rover as on March 31, 2014, stood at GB£2,010 million (₹19,330.77 crores) [previous year: GB£2,167million (₹17,791 crores)]. Cash and financial deposits stood at GB£3,458 million (₹33,256.62 crores) [previous year: GB£2,847 million (₹23,373 crores)] resulting in negative net debt position. Additionally, JLR has undrawn committed long term bank lines of GB£1,290 million.

In December 2013, Jaguar Land Rover issued US\$700 million Senior Notes due 2018, at a coupon of 4.125% per annum, followed by an issue of GB£400 million, at a coupon of 5.0% per annum in January 2014. The proceeds have been used for prepayment of high coupon Senior Notes issued in 2011 of equivalent GB£750 million which was callable in May 2014.

TML Holdings Pte Ltd, Singapore, a 100% subsidiary of the Company, holding the investment in Jaguar Land Rover raised SG\$350 million Senior Notes due 2018, in May 2013, at a coupon of 4.25% per annum followed with an issue of syndicated loan facility of US\$250 million and SG\$62.8 million due 2017 and US\$210 million and SG\$114 million due 2019.

Tata Motors Finance Limited raised ₹75 crores by an issue of unsecured, non-convertible, subordinated perpetual debentures towards Tier 1 and Tier 2 Capital and ₹155.10 crores by an issue of unsecured, non-convertible, subordinated debentures towards Tier 2 Capital in order to meet its growth strategy and improve its Capital Adequacy ratio.

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

During the year, the Company's rating for foreign currency borrowings

was retained with an improvement in the outlook by Standard & Poors to "BB"/Stable and was retained at existing levels by Moodys at "Ba3"/Stable. For borrowings in the local currency, the ratings was revised upwards by Crisil to "AA"/Stable and was retained at existing levels by ICRA at "AA-"/Positive. Post March 31, 2014, the ratings was revised upwards by ICRA to "AA"/Stable. The Non-Convertible Debentures rating by CARE was revised upwards to "AA+"/Stable. During the year, Jaguar Land Rover's rating was revised upwards by Moodys to "Ba2" Stable and by Standard & Poors at "BB"/Stable.

For Tata Motors Finance, CRISIL has revised its rating outlook on long-term debt instruments and bank facilities to 'CRISIL "AA/ A+"/ Stable.

## FIXED DEPOSITS

The Company has not accepted any public deposits during FY 2013-14. There were no over dues on account of principal or interest on public deposits other than the unclaimed deposits as at the year end. The Company proposes to invite and accept Fixed Deposits from the shareholders and the public in accordance with Sections 73 to 76 of the Companies Act 2013 read with Companies (Acceptance of Deposits) Rules, 2014. Attention of the Members is invited to the relevant item in the Notice of the Annual General Meeting and the Explanatory Statement thereto.

## INFORMATION TECHNOLOGY INITIATIVES

The Company's business strategies are well supported by IT proactively building the capabilities. The Company's IT leverages strong partnerships with product and services companies to support business growth and innovation. This has enabled us to strengthen our core technology capabilities.

The major highlights of IT initiatives at the Company are:

- ▶ The Company commemorated 10 years of its path breaking CRM solution, one of the largest in automotive industry with 4,000+ channel partners and more than 50,000+ users.
- ▶ The Company played a key role in setting up AutoDX, a SIAM ACMA initiative for electronic data interchange (EDI).
- ▶ The Company is implementing cloud based employee collaboration tools which will bring a diverse and multi locational workforce closer, enabling the One Team One Vision initiative.



- ▶ The Company is extending its enterprise applications to mobiles through mobile apps. First five applications have been piloted for Telematics, Rural Marketing, Dealer Sales Force (CV and PV) and Quality Inspections.
- ▶ The Company won the 'CSI Award for the Excellence in IT' for executing the large and complex migration of entire Manufacturing Execution System (MES) platform in car plant.
- ▶ JLR global expansion to China is being competently supported by IT capabilities.

All Tata Motors group companies continue to work together on IT synergies and sharing the expertise.

### DIGITAL PRODUCT DEVELOPMENT SYSTEMS INITIATIVES

Product development processes continue to grow on best of the breed tools and technology solutions, for enhancing product development capabilities, addressing quality and speed. Capabilities were developed for realistic product visualization in digital platform for product style. Bid response mechanisms for specific customers were developed. Processes relating to early manufacturing feedback in engineering functions were evolved with state of the art toolsets.

- ▶ PLM processes continue to mature strengthening the product development processes across the extended organization.
- ▶ In-house Knowledge Based Engineering (KNEXT) applications spread enhanced by deploying 20 new applications in various product design functions.
- ▶ Virtual validation as a strategic initiative introduced in the product development process providing better turnaround time and understanding of product in the field.
- ▶ Tools for collaboration of engineering information across multiple work locations, multiple geographies were developed as part of DRiVE initiative.
- ▶ Systems were developed to handle WCQ L1 and other quality initiatives.
- ▶ 30 new applications were conceived and developed on in-house pFirst framework to handle various cross functional work stream delivery.

- ▶ Digital Manufacturing Planning (DMP) capabilities enhanced to use various process documents (PFD, PFMEA, CP, etc) in Pune manufacturing location.

### TECHNOLOGY AND ENVIRONMENT FRIENDLY INITIATIVES

The Tata Motors Group continues to innovate, with a view to enhance the market share and aims at products which cater to the changing needs of the customer for both fleet owners and individual customers. Besides new product developments covered above, some of the key initiatives on Environment friendly technologies include:

- ▶ Fuel efficiency improvement through development of advanced driveline oil formulation in line with previous development of engine oil only
- ▶ Continuation of fuel efficiency improvement initiatives on commercial vehicle engines through software features in engine management system and vehicle level parameter optimization.
- ▶ Downsizing of gasoline engines using pressure charging technology (turbochargers) for CO<sub>2</sub> reduction on passenger cars.
- ▶ Designed and developed electric vehicles based on Tata Magic and Tata Iris, which were demonstrated in Autoexpo 2014. A fleet of small number of demonstrator vehicles is being developed.
- ▶ Start of a collaborative initiative to investigate sustainable synthetic fuels for India and developing nations.
- ▶ Designed, developed and demonstrated Hydrogen fuelled zero emission fuel cell bus for urban transportation. Further testing is in progress.
- ▶ Use of bio CNG in internal combustion engines for vehicles is under testing.
- ▶ Unveiling the latest milestone of its advanced aluminium which would be high-strength, lightweight and the Jaguar Land Rover's most aluminium intensive structure to date bringing considerable benefits in terms of dynamics, safety and efficiency.

- ▶ Jaguar Land Rover introduced world's first hybrid electric vehicle with a diesel engine by bringing down fuel consumption to 6.41/100 km. which only few years ago, seemed to be totally unachievable in a vehicle size of Range Rover.
- ▶ Introduction of InControl Apps in the Cars manufactured by Jaguar Land Rover to minimize driver distractions.
- ▶ Collaborative innovation through Investment in a new UK advanced research facility, the National Automotive Innovation Centre providing dedicated facilities for an expanded Jaguar Land Rover Advanced Research Team.

## SUBSIDIARY AND ASSOCIATE COMPANIES

Tata Motors announces consolidated financial results on a quarterly basis. As required under the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements of the Tata Motors Group are attached.

Pursuant to the provisions of Section 212(8) of the Companies Act, 1956 (the Act), the Ministry of Corporate Affairs vide its General Circular No 2/2011 dated February 8, 2011, has granted a general exemption subject to certain conditions to holding companies from complying with the provisions of Section 212 of the Act, which requires the attaching of the Balance Sheet, Profit & Loss Account and other documents of its subsidiary companies to its Balance Sheet.

Accordingly, the said documents are not being included in this Annual Report. The main financial summaries of the subsidiary companies are provided under the section 'Subsidiary Companies: Financial Highlights for FY 2013-14' in the Annual Report. The Company will make available the said annual accounts and related detailed information of the subsidiary companies upon the request by any member of the Company or its subsidiary companies. These accounts will also be kept open for inspection by any member at the Registered Office of the Company and the subsidiary companies.

### Subsidiary Companies

Tata Motors had 70 (direct and indirect) subsidiaries (10 in India and 60 abroad) as on March 31, 2014, as disclosed in the accounts.

During the year, the following changes have taken place in subsidiary companies:

### Subsidiary companies formed/acquired:

- ▶ Tata Technologies Inc. acquired Cambric Holdings Inc., which included its subsidiaries, namely Cambric Corporation, Cambric Limited, Cambric Consulting SRL, Cambric GmbH, Cambric UK Limited, Cambric Managed Services Inc., Midwest Managed Services - all indirect subsidiaries of Tata Technologies Limited.
- ▶ Tata Technologies incorporated Cambric Manufacturing Technologies (Shanghai) Co. Limited.
- ▶ Land Rover Belux SA/NV merged with Jaguar Belux NV and changed its name from Jaguar Belux NV to Jaguar Land Rover Belux.
- ▶ All business and assets of Land Rover were acquired by Jaguar Land Rover Limited except Jaguar Land Rover Automotive Trading (Shanghai) Co. Ltd.
- ▶ Business of Land Rover Exports Limited was transferred to Jaguar Land Rover Exports Limited.

### Companies ceasing to be subsidiary companies/ ceased operations:

- ▶ Tata Hispano Motors Carrocera S.A. wound down factory and manufacturing activity but still exists as a subsidiary.

### Name changes

- ▶ Land Rover to Jaguar Land Rover Holdings Limited
- ▶ Jaguar Land Rover Exports Limited to JLR Nominee Company Limited

Besides the above, Jaguar Land Rover continued to integrate / restructure legal entities for manufacturing and for exporting globally as combined brand legal entities. Other than the above, there has been no material change in the nature of the business of the subsidiary companies.

### Associate companies/Joint Ventures

As at March 31, 2014, Tata Motors had 6 associate companies and 5 Joint Ventures as disclosed in the accounts.

The accounting of subsidiaries, associates and joint ventures have been done in consolidated financial statements in accordance with the Accounting Standards.

## ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Details of energy conservation and research and development activities undertaken by the Company alongwith the information in

accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given as an Annexure to the Directors' Report.

## DIRECTORS

Mr Karl Slym, who was the Managing Director of the Company since September 13, 2012, died on January 26, 2014, in an untimely and tragic manner. Mr Slym provided leadership in a challenging market environment and had made a considerable positive impact on the Company's culture by spearheading leadership and brand enhancing programs in the organization. He played a pivotal role in charting of the Company's strategy to regain momentum for the Company's products in the Indian market. The Directors have placed on record their profound grief on the passing away of Mr Slym. The Board has initiated steps for appointing a Managing Director. In the interim, the oversight of the key aspects of the Company's operations is undertaken by a Corporate Steering Committee comprising Mr Cyrus P Mistry as Chairman, Executive Directors and Senior Executives of the Company.

Mr Ravi Kant retires as the Vice Chairman of the Company on May 31, 2014 in accordance with the Company's Policy for Retirement Age of Directors. Mr Kant joined the Company in February 1999 and on superannuating as the Managing Director in June 2009, continued to be on the Company's Board of Directors as the Non- executive Vice-Chairman. Mr Kant had by his stewardship and guidance significantly contributed to the Company's growth and global aspirations. He has played a stellar role in the Jaguar Land Rover's acquisition and its turnaround and guiding many of the Company's key initiatives and strategies. The Board placed on record its appreciation for the contributions made and the role played by Mr Kant over the last 14 years on the Board of the Company.

The Company has, pursuant to the provisions of Clause 49 of the Listing Agreements entered into with Stock Exchanges, appointed Mr Nusli Wadia, Dr Raghunath Mashelkar, Mr Subodh Bhargava, Mr Nasser Munjee, Mr Vineshkumar Jairath and Ms Falguni Nayar as Independent Directors of the Company. The Company has received declarations from the said Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under the said Clause 49. In accordance with the provisions of Section 149(4) and proviso to Section 152(5) of the Companies Act,

2013, these Directors are being appointed as Independent Directors to hold office as per their tenure of appointment mentioned in the Notice of the forthcoming AGM of the Company.

In accordance with the requirements of the Act and the Articles of Association of the Company, Dr Ralf Speth retires by rotation and is eligible for re-appointment.

## CORPORATE GOVERNANCE

A separate section on Corporate Governance forming part of the Directors' Report and the certificate from the Practicing Company Secretary confirming compliance of Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement with the Indian Stock Exchanges is included in the Annual Report.

## PARTICULARS OF EMPLOYEES

The Information on employees who were in receipt of remuneration of not less than ₹60 lakhs during the year or ₹5 lakhs per month during any part of the said year as required under Section 217(2A) of the Companies Act, 1956 (the Act) and the Rules made thereunder is provided in the Annexure forming part of the Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any member interested in obtaining a copy of the same may write to the Company Secretary.

## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

A separate section on initiatives taken by the Tata Motors Group to fulfil its Corporate Social Responsibilities is included in the Annual Report.

## BUSINESS RESPONSIBILITY REPORT

Vide its Circular dated August 13, 2012, Securities and Exchange Board of India (SEBI) mandated the inclusion of Business Responsibility Report (BRR) as a part of the Annual Report for top 100 listed entities based on their market capitalisation on BSE Limited and National Stock Exchange of India Limited as on March 31, 2012. The said reporting requirement is in line with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)' notified by Ministry of Corporate Affairs, Government of India, in July, 2011. Pursuant to the above, the Stock Exchanges amended the Listing Agreement by inclusion of Clause 55 providing a suggested framework of a BRR, describing initiatives taken by the Company from an environmental, social and governance perspective. In line with the press release and FAQs dated May 10, 2013, issued by SEBI, the

Company's BRR is hosted on its website [www.tatamotors.com](http://www.tatamotors.com). Any shareholder interested in obtaining a physical copy of the same may write to the Company Secretary.

## STATUTORY AUDIT

M/s Deloitte Haskins & Sells LLP (DHS LLP), Chartered Accountants (ICAI Firm Registration No.117366W/W-100018), who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for three years to hold office from the conclusion of this AGM till the conclusion of the seventy-second AGM of the Company to be held in the year 2017 subject to ratification of their appointment at every AGM. DHS have, under Section 139(1) of the Companies Act, 2013 and the Rules framed thereunder furnished a certificate of their eligibility and consent for re-appointment.

DHS converted itself into a Limited Liability Partnership (LLP) under the provisions of the Limited Liability Partnership Act, 2008 and is now known as Deloitte Haskins & Sells LLP (DHS LLP) with effect from November 20, 2013. In terms of the Ministry of Corporate Affairs, Government of India, General Circular No. 9/2013 dated April 30, 2013, if a firm of CAs, being an auditor in a company under the Companies Act, 1956, is converted into an LLP, then such an LLP would be deemed to be the auditor of the said company. The Board of Directors of the Company has taken due note of this change. Accordingly, the audit of the Company for FY 2013-14 was conducted by DHS LLP.

## Cost Audit

As per the requirement of the Central Government and pursuant to Section 233B of the Companies Act 1956, the audit of the cost accounts pertaining to motor vehicles and other relevant products groups is carried out every year. Pursuant to the approval of Ministry of Corporate Affairs, M/s Mani & Co. having registration No. 00004 were appointed as the Cost Auditors for auditing the Company's cost accounts relating to the Company's products for the year ended March 31, 2014, for which the approval of Central Government was received on July 24, 2013.

The Cost Audit Report and Compliance Report for the year ended March 31, 2013 were filed by the Company on September 25, 2013 well within the prescribed due date of September 30, 2013. The Cost Audit Report and compliance report for the financial year ended March 31, 2014 is expected to be filed within the prescribed time.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 (the Act) the Directors, based on the representation received from the Operating Management, confirm that:-

- ▶ in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ▶ they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- ▶ they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- ▶ they have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENTS

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

On behalf of the Board of Directors

**CYRUS P MISTRY**

Chairman

Mumbai, May 29, 2014