

# BOARD'S REPORT

## TO THE MEMBERS OF TATA MOTORS LIMITED

The Directors present their Seventy First Annual Report alongwith the Audited Statement of Accounts for Fiscal 2016.

## FINANCIAL PERFORMANCE SUMMARY

(₹ in crores)

	Tata Motors (Standalone)		Tata Motors Group (Consolidated)	
	Fiscal 2016	Fiscal 2015	Fiscal 2016	Fiscal 2015
<b>FINANCIAL RESULTS</b>				
Gross Revenue	<b>46,646.67</b>	39,531.23	<b>280,096.72</b>	266,707.90
Net Revenue (excluding excise duty)	<b>42,369.82</b>	36,301.63	<b>275,561.11</b>	263,158.98
Total expenditure	<b>39,629.67</b>	37,101.64	<b>235,324.45</b>	221,045.16
Operating profit/(loss)	<b>2,740.15</b>	(800.01)	<b>40,236.66</b>	42,113.82
Other Income	<b>2,132.92</b>	1,881.41	<b>981.72</b>	898.74
Profit before interest, depreciation, amortization, exceptional item and tax	<b>4,873.07</b>	1,081.40	<b>41,218.38</b>	43,012.56
Finance cost	<b>1,481.11</b>	1,611.68	<b>4,623.35</b>	4,861.49
Cash profit/(loss)	<b>3,391.96</b>	(530.28)	<b>36,595.03</b>	38,151.07
Depreciation, amortization and product development/engineering expenses	<b>2,878.36</b>	3,040.69	<b>20,494.61</b>	16,263.80
Profit/(loss) for year before exceptional items and tax	<b>513.60</b>	(3,570.97)	<b>16,100.42</b>	21,887.27
Exceptional Items - loss (net)	<b>363.21</b>	403.75	<b>2,119.55</b>	184.71
Profit/(loss) before tax	<b>150.39</b>	(3,974.72)	<b>13,980.87</b>	21,702.56
Tax expenses/(credit) (net)	<b>(83.84)</b>	764.23	<b>2,872.60</b>	7,642.91
Profit/(loss) after tax	<b>234.23</b>	(4,738.95)	<b>11,108.27</b>	14,059.65
Share of minority interest and share of profit of associates (net)	-	-	<b>(84.52)</b>	(73.36)
Profit/(loss) for the year	<b>234.23</b>	(4,738.95)	<b>11,023.75</b>	13,986.29
<b>APPROPRIATIONS</b>				
Profit/(loss) for the year	<b>234.23</b>	(4,738.95)	<b>11,023.75</b>	13,986.29
Add: Balance brought forward from previous year	<b>(3,667.96)</b>	977.59	<b>54,487.17</b>	40,530.48
Amount available for appropriations	<b>(3,433.73)</b>	(3,761.36)	<b>65,510.92</b>	54,516.77
Less: appropriations/(transfer from/to)				
General Reserve	<b>3,506.73</b>	-	<b>3,483.73</b>	(21.00)
Other Reserves	-	-	<b>(32.98)</b>	(39.52)
Dividend (including dividend distribution tax)	<b>(73.00)</b>	93.40	<b>(111.28)</b>	30.92
Balance carried to Balance Sheet	-	(3,667.96)	<b>68,850.39</b>	54,487.17

## DIVIDEND

Considering the Company's financial performance, the Directors have recommended a dividend of ₹0.20 per share (10%) on the capital of 2,887,203,602 Ordinary Shares of ₹2/- each (Nil for last year) and ₹0.30 per share (15%) on the capital of 508,476,704 'A' Ordinary Share of ₹2/- each for Fiscal 2016 (Nil for last year) and the same will be paid on or after August 11, 2016. The said dividend, if approved by the Members, would involve a cash outflow of ₹73 crores including dividend distribution tax (net of credit), resulting in a payout of 31.2% of standalone profits for Fiscal 2016 of the Company.

## TRANSFER TO RESERVES

The profit for the Fiscal 2016 is ₹234.23 crores. As the dividend has been declared from Reserves, a part of General Reserve has been

adjusted against the accumulated loss in the Profit and Loss Account. Accordingly, the balance of ₹3,506.73 crores is transferred from General Reserves to the Profit and Loss Account.

## OPERATING RESULTS AND PROFITS

The global macroeconomic landscape in Fiscal 2016 was rough and uncertain and characterized by weak growth of world output. The situation has been compounded by; (i) declining prices of a number of commodities, with reduction in crude oil prices being the most visible of them, (ii) turbulent financial markets (specially the equity markets) and (iii) volatile exchange rates. Global growth remained moderate with uneven prospects across the major economies. The outlook for advanced economies is improving, while growth in emerging market and developing economies is

projected to be lower, primarily reflecting weaker prospects for certain large emerging market economies alongside oil and raw material exporting economies. Oil prices have declined during Fiscal 2016 due to weaker than expected global activity and a weaker demand for oil. Exchange rate movements in recent months have been sizable, reflecting changes in expectations about growth and monetary policy across major economies. Long-term government bond yields have declined in major advanced economies, reflecting in part lower inflation expectations, the sharp decline in oil prices and weak domestic demand.

The US economy growth was stronger than with accompanying job growth, resulting in a decline in the unemployment rate. The Eurozone showed signs of economic improvement in 2015, with consumption supported by lower oil prices and higher net exports, driven by lower energy prices, a weaker Euro and a loose monetary policy by the European Central Bank. In Fiscal 2015, GDP in the UK slowed a little, but consumer spending growth remained relatively strong, partially due to lower oil prices. China recorded a pronounced deceleration in growth in Fiscal 2015, which suggests that China's slowdown over the past few years shows little sign of abating. The GDP growth rate moderated to 6.9% for Fiscal 2015 and coincided, with growing debt and excess housing and factory capacity. Brazil's economy sank into the deepest recession in recent history in 2015, amid low prices for key exports, soaring inflation and depressed confidence levels. Economic performance in Russia was impacted by the increase in geopolitical tensions, lower crude oil prices and economic sanctions.

However, India has registered a robust and steady pace of economic growth in Fiscal 2016 with GDP increased by 7.6%. Wholesale price inflation has been in negative territory for more than a year and the all important consumer prices inflation has declined to nearly half of what it was a few years ago. However, weak growth in advanced and emerging economies has taken its toll on India's exports. As imports have also declined, principally on account of reduced prices of crude oil for which the country is heavily dependent on imports, trade and current account deficits continue to be moderate. Growth in agriculture has slackened due to two successive years of less than-normal monsoon rains. The rupee has depreciated vis-à-vis the US dollar, like most other currencies in the world, although less so in magnitude. At the same time, it has appreciated against a number of other major currencies.

The **Tata Motors Group** registered a growth of 5.0% in gross turnover to ₹280,097 crores in Fiscal 2016 as compared to ₹266,708 crores in Fiscal 2015. The consolidated revenue (net of excise) for Fiscal 2016 ₹275,561 crores grew by 4.7% over last year on the back of strong growth in wholesale volumes across products of Jaguar Land Rover and complemented by strong M&HCV sales in India. The consolidated EBITDA margins for Fiscal 2016 stood at 14.6%. Consequently, Profit Before and After Tax were ₹13,981 crores and ₹11,024 crores respectively.

**Tata Motors Limited** recorded a gross turnover of ₹46,647 crores, 18.0% higher from ₹39,531 crores in the previous year. Tailwinds from improving macros - softening interest rates, lower fuel cost and inflation, steady replacement demand from large fleet operators has supported sales growth in M&HCV resulting in significant improvement in EBITDA margins to 6.5% in Fiscal 2016 as against negative 2.2% in Fiscal 2015. Profit Before and After Tax for Fiscal 2016 was at ₹150 crores and ₹234 crores respectively, as compared to Loss Before and After Tax of ₹3,975 crores and ₹4,739 crores, respectively for last Fiscal.

**Jaguar Land Rover (JLR)** (as per IFRS) recorded revenue of GB£22,208 million (₹219,019 crores) for Fiscal 2016, up 1.6% from the £21,866 million (₹215,646 crores) in the last Fiscal Year, primarily reflecting the successful introduction of new products.

Consolidated EBITDA for Fiscal 2016 was strong at GB£3,147 million (₹31,036 crores) but down compared to Fiscal 2015 of GB£4,132 million (₹40,750 crores), primarily driven by softer market and model mix and as well as one-time reserves and charges of GB£166 million (₹1,637 crores) including the US recall of potentially faulty passenger airbags supplied by Takata, doubtful debts and previously capitalised investment.

Profit Before Tax (PBT) in Fiscal 2016 was GB£1,557 million (₹15,355 crores) down by GB£1,057 million compared to the record PBT of GB£2,614 million (₹25,780 crores) in Fiscal 2015 primarily reflecting the lower EBITDA, higher depreciation and amortisation and the net exceptional charge of GB£157 million (₹1,638 crores) related to vehicles damaged or destroyed in the Tianjin port explosion in August 2015, partially offset by favourable revaluation of US Dollar debt and unrealised FX and commodity hedges as well as profits earned in the China Joint Venture.

**Tata Motors Finance Limited (TMFL)** (consolidated) the Company's captive financing subsidiary, registered a growth in revenues by 8.0% to ₹2,968 crores (previous year: ₹2,743 crores) and reported a Profit After Tax of ₹267 crores in Fiscal 2016, as compared to Loss after Tax of ₹611 crores in Fiscal 2015. TMFL's concerted efforts on collection and NPA management strategy has helped to reduce credit losses and gross non-performing assets during Fiscal 2016.

**Tata Daewoo Commercial Vehicle Company Limited (TDCV)** (as per Korean GAAP) South Korea registered revenues of KRW 880 billion (₹5,096 crores), a decline of 11% over the previous year mainly due to lower export sales partially offset by increase in domestic sales. The Profit after tax was KRW 46 billion (₹264 crores) compared to KRW 54 billion (₹304 crores) of previous year which included one-time reversal of provisions pertaining to ordinary wage lawsuit KRW 24 billion (₹136 crores). Better profitability of Euro 6 vehicles, better mix, favourable exchange realizations, continuous material cost reduction, various cost control and inventory initiatives helped in improving profits.

## VEHICLE SALES AND MARKET SHARES

The **Tata Motors Group** sales for the year stood at 1,064,596 vehicles, up by 6.7% as compared to Fiscal 2015. Global sales of all Commercial Vehicles were 390,953 vehicles, while sales of Passenger Vehicles were at 673,643 vehicles.

### TATA MOTORS

Tata Motors recorded sales of 511,931 vehicles, a growth of 1.5% over Fiscal 2015. The Indian Auto Industry, grew in Fiscal 2016 by 8%, resulting in the Company's market share decreasing to 13.1% in Fiscal 2016 from 14.1% in the previous year. The Company's exports on standalone basis grew by 16.3% to 58,058 vehicles in Fiscal 2016 as compared to 49,936 vehicles in Fiscal 2015.

### Commercial Vehicles

Within the domestic market, the Company sold 326,755 Commercial Vehicles (CV), a growth of 2.8% from Fiscal 2015 driven by volume expansion across segments. While M&HCVs have been growing through the year, the LCV segment witnessed positive growth during the second half of the Fiscal 2016, both in goods and passenger carrier segment. M&HCV trucks continued strong growth, registering a 30.0% rise over last Fiscal Year and the Company has been able to retain a strong market share of 56% in this category.

Some of the highlights for the year were:

- ❖ Launched the new SIGNA range of M&HCV, at the SIAM Auto Expo 2016. Offered in various configurations, the SIGNA range of commercial vehicles is engineered and built to offer M&HCV buyers, a newly designed cabin, with proven Tata Motors aggregates, for a world-class trucking experience
- ❖ Launch of ACE Mega, the all-new Smart and Small Pick-up Truck with superior performance, enhanced looks, strong cabin with rated payload of 1Tonne, which offers the best-in-class fuel efficiency and lowest cost of ownership
- ❖ Achieved a new feat in the last mile public transport portfolio by reaching a remarkable sales mark of 3 Lakh Tata Magic, our most popular public transport vehicle
- ❖ Celebrated the 10<sup>th</sup> anniversary of the Tata Ace (launched in 2005) as the 'Decade of Trust' throughout the country
- ❖ The Company has been honoured with the 'Best Telematics Product or Launch in the Emerging Market' Award for its Telematics solution, based on the popular Android platform developed for the Tata Magic Iris Electric
- ❖ This year, the Company won 4 prestigious awards at the Apollo CV Awards:
  - ◆ Cargo carrier of the year - Tata LPS 4923
  - ◆ School Bus of the year - Tata Cityride Skool Bus
  - ◆ Special Application CV of the year - Tata MHC 2038
  - ◆ CV dealer of the year - Bhandari Automotive (Tata Motors dealership).

- ❖ Organized the Prima Truck Racing Championship Season 3, which drew in over 55,000 spectators. The highlight this year was the first ever race of Indian truck racing talent, trained and nurtured in India. The Company has conceptualized and introduced an Indian Driver Training and Selection program - "T1 Racer Program" to induct and mold Indian truck drivers as 'racers'
- ❖ Participated in the SIAM Auto Expo 2016 and the following vehicles were showcased:
  - ◆ SIGNA range of M&HCV Trucks
  - ◆ Tata ULTRA 1518 Sleeper from the Ultra range with 15.7T GVW and furnished with a spacious cabin and a fully trimmed power steering, seating three, along with a bed, ensures a safe and comfortable working design for the driver
  - ◆ ACE MEGA XL – Last mile cargo transport with a rated payload of 1Ton, 8-feet loading deck, with a top speed of 80 km/hr
  - ◆ MAGIC IRIS ZIVA – gearless, clutchless with futuristic Hydrogen Fuel Cell technologies, for zero emissions
  - ◆ ULTRA 1415 4X4 – A 4X4 rugged performer, with a snow plough and a hydraulic crane
  - ◆ STARBUS HYBRID – World's first commercially produced CNG Hybrid Bus, using Electric and CNG modes (BS IV compliant) as fuel
  - ◆ ULTRA ELECTRIC – First full-electric bus from the Company, with zero emissions and noiseless operations.
- ❖ Participated in EXCON 2015 and showcased four new construction vehicles - Tata PRIMA 3138.K 32 CuM Coal Tipper, Tata PRIMA LX 2523.K RePTO, Tata PRIMA LX 3128.K 19 CuM Scoop HRT and Tata SAK 1613
- ❖ Tata Motors Loyalty Program (Tata Delight and Tata Emperor) was recognized by DMA Asia ECHO™ Awards and PMAA Dragons of Asia in December 2015
- ❖ Awarded contract for 1,239 indigenously developed 6X6 high mobility multi-axle vehicles, from the Indian Army which was recently followed up with a repeat order for 619 units
- ❖ Signed a contract to supply 25 Tata Starbus Diesel Series Hybrid Electric Bus with Full Low floor configuration, with the Mumbai Metropolitan Region Development Authority (MMRDA) – the single largest order awarded for Hybrid Electric vehicle technology.

### Passenger Vehicles

The domestic passenger vehicle industry grew by 7.6% during Fiscal 2016. Correction in fuel prices and easing financing cost has resulted in lower operating cost, which should further aid domestic PV growth in near to medium term. During the year, the Company's Passenger Vehicles sales were lower by 7.0% at 127,118 vehicles, registering a 4.6% market share. The Company sold 106,827 cars (lower by 3.8%) and 20,291 utility vehicles and vans (lower by 20.6%). The Company's sales in the Utility Vehicle segment suffered as competitive activity intensified with multiple new launches

mainly in the soft-roader category in this segment. The Company has taken various initiatives to improve its performance such as product refreshes/launch programs, operational efficiency, dealer effectiveness, working capital management and restructuring customer facing functions.

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

- ❖ Product Launches/Refreshes continued under the Horizonext Strategy
- ❖ GenX-Nano range was launched in May 2015, with latest technological advancements and design upgrade
- ❖ Safari Storme 400Nm was launched in November 2015, with high power/torque engine and new six speed manual gearbox.
- ❖ The Made of Great Brand Campaign was launched to uplift the Tata Motors brand in conjunction with Lionel Messi
- ❖ Hexa SUV, Kite 5 compact sedan and Nexon compact SUV were displayed at Auto Expo 2016.
- ❖ As a part of the overall social responsibility, the Company had to postpone the launch of "Tiago", due to the change in name responding against the epidemic "Zika".

The above new/refreshed product launches 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.

### Exports

The Company exported 58,058 vehicles (Fiscal 2015: 49,936 vehicles) comprising 54,052 units of Commercial Vehicles and 4,006 units of Passenger Vehicles during Fiscal 2016.

Export of Commercial Vehicles grew by 16.5% in Fiscal 2016 with 54,052 units exported compared to 46,416 in Fiscal 2015. The traditional markets of SAARC remained stronger than last year growing by 26% with Sri Lanka, Bangladesh and Nepal contributing to the growth. However, the mid-term duty change in Sri Lanka and the lockdown in Nepal impacted the growth momentum. However, the subsequent opening of border and easing of pent up demand led to record shipments to Nepal in Q4 of Fiscal 2016. Low crude oil prices, Middle East geo-political situation, currency devaluations and political strife cast a big shadow over our strong markets of Middle East and Africa this year. The Company was able to grow market share in the key markets of Sri Lanka, Kenya, Nepal, Ghana, Congo and Senegal. In Fiscal 2016, the Company successfully bagged and executed several prestigious orders including 450 units Xenon troop carriers for the Ministry of Defence Myanmar taking the total order count to 1,450 units; 87 units of Elnaza school buses in Saudi Arabia; 50 units Prima 4,438 in Saudi Arabia; 44 units Ultra truck delivery to Pran RFL Bangladesh and more than 1,000 units Tata Saathi, an application on the ACE platform to Bangladesh. Some of the key events in Fiscal 2016 were the launch of Tata Prima in

Kenya, Uganda and Bangladesh; Ultra Bus in Sri Lanka; Ultra trucks in Bangladesh; Elnaza bus in UAE and Ace Express, Ace Mega in Sri Lanka and Nepal. The Company also opened Assembly units with 3rd party vendors in Tunisia and Vietnam. In Fiscal 2016, the Company achieved a key milestone of 1,000 Prima retails in export markets.

During the period Fiscal 2016, the Company's exports of Passenger Vehicles at 4,006 units were 13.8% higher than in Fiscal 2015, mainly due to improved sales in key markets like Sri Lanka and South Africa. Aggressive efforts on the back of the launch of Nano GenX and retails of Indica Xeta gave us strong volume growth in Sri Lanka, whereas in South Africa sales were boosted by the launch of the Bolt (hatchback) and Zest (compact sedan).

In Nepal, the launch of Bolt has helped the Company to improve its share of the hatch segment whereas Zest helped to augment Company's presence in the compact sedan segment and Sumo continues to be the Number One selling brand in UVs in Nepal. Indigo also found an increased acceptance in the commercial segment in Bangladesh, the Philippines and Uruguay.

### JAGUAR LAND ROVER (JLR)

In Fiscal 2016, JLR continued to experience growth in all geographical markets, except China with total wholesale sales of 544,085 units, a growth of 15.6% as compared to Fiscal 2015. JLR total retail sales were up 12.8%, with Jaguar up 22.8% and Land Rover up 10.9%. Sales were higher in the majority of markets in Fiscal 2016 as retails in the UK increased by 23.8% year on year, North America by 27.1% and Europe by 42.0% whilst sales growth in other Overseas markets were broadly similar to last year. However, retail sales in China were down 16.4% primarily reflecting softer economic conditions in China at the beginning of the year, the timing of new product launches and the transition of production to our China Joint Venture.

Some of the highlights of this year were:

- ❖ The new **Jaguar XE** went on general retail sale in May 2015
- ❖ The refreshed 16 Model Year **Range Rover Evoque** went on sale in August 2015
- ❖ Launch of the all new lightweight **Jaguar XF** went on sale in September 2015
- ❖ Production of the **Land Rover Discovery Sport** commenced at the China Joint Venture and went on sale locally in November 2015
- ❖ Launch of the refreshed 16 Model Year **Jaguar XJ** went on sale in December 2015
- ❖ Jaguar's all new luxury performance SUV was revealed to the public and went on sale at the end of the year
- ❖ Very own 4 cylinder diesel engine produced at the Engine Manufacturing Centre in Wolverhampton in the UK was first introduced into the Jaguar XE and is now available in some of other vehicles such as the **Jaguar XF, Range Rover Evoque and Land Rover Discovery Sport**

- ❖ Announced an additional GB£450 million investment in the Engine Manufacturing Centre in Wolverhampton to double capacity bringing total investment to almost GB£1 billion
- ❖ Announcement that an investment agreement has been signed to build a manufacturing plant in the city of Nitra in Slovakia with annual capacity of 150,000 units with production commencing in Fiscal 2018. The initial investment will be GB£1 billion with the option to invest a further GB£500 million to double capacity to 300,000 units per annum subject to a further feasibility study
- ❖ Jaguar will be competing in the FIA Formula E championship from August 2016 which presents a unique and exciting opportunity for Jaguar Land Rover to further the development of its future electric powertrain technology
- ❖ Announcement that the all new **Jaguar XF L (Long wheel base XF)** will be the third vehicle to be produced at the China Joint Venture.

### Tata Daewoo Commercial Vehicle Company Limited

Tata Daewoo Commercial Vehicle Company Limited (TDCV) sold 9,116 vehicles, lower by 22.2% over Fiscal 2015, mainly due to lower export sales partially compensated by increase in domestic sales. TDCV continued the strong performance, in the domestic market inspite of increased competition by selling 7,036 vehicles, 2<sup>nd</sup> highest in its history, registering a growth of 3.3% compared to sales of 6,808 vehicles in Fiscal 2015. The newly introduced Euro 6 models were well accepted in the market resulting in an increase in the market share for both HCV and MCV Segments put together increasing to 31.0% as compared to 28.7% in Fiscal 2015. However, the export market scenario was very challenging. Factors like low oil prices, local currency depreciation against the US Dollar, new statutory regulations to reduce imports, slowdown in Chinese economy impacting commodity exporting countries, increased dealer inventory etc. adversely impacted TDCV's exports in major markets like Algeria, Russia, Vietnam, South Africa, GCC etc. The export sales were 2,080 units, 57.6% lower compared to 4,902 units in Fiscal 2015.

### Tata Motors (Thailand) Limited

Tata Motors (Thailand) Limited (TMTL) sold 1,312 units in Fiscal 2016 as compared to 1,305 units in Fiscal 2015. The domestic retail sales figure was 1,124 units. The Thai Automobile Industry has witnessed the 3<sup>rd</sup> year of drop of 9.0% in Fiscal 2016 due to poor performance of the economy but witnessed a slew of new pickup launches by major OEMs during the year. In spite of the slow-down, TMTL domestic volume decline was 6.0% compared to 9.0% of industry. TMTL has increased its market share in "CNG and Bi-Fuel Pickups segment" to 25.2% (Previous Year 24.0%) to become the second largest player in the segment.

TMTL has taken the opportunity to refresh its products, services and network as well as to expand the range of offerings to the Thailand customers. Fiscal 2016 saw the launch of the Xenon 150N Series with

a host of new features, TDCV Novus and Super Ace Mint. During the year, TMTL exported 253 vehicles to Malaysia against specific order from POS Malaysia. TMTL is exploring similar opportunities in other parts of South East Asia and neighbouring continents.

### Tata Motors (SA) (Pty) Limited

Tata Motors (SA) (Pty) Ltd (TMSA) sold 765 chassis in the South Africa market in Fiscal 2016 as compared to 839 chassis in Fiscal 2015. TMSA is in the process of homologating and introducing a range of new products including Prima and Ultra trucks as well as a couple of bus models for sale in South Africa.

### Tata Motors Finance Limited

Tata Motors Finance Limited (TMFL) is a wholly owned subsidiary company is carrying out vehicle financing activity under the brand "Tata Motors Finance".

On March 31, 2016, TMFL has acquired from the Company, 100% shareholding in Sheba Properties Limited, a NBFC registered with the Reserve Bank of India as a part of restructuring and consolidation of financial services companies under the TMFL group.

The commercial vehicle business saw a growth during Fiscal 2016, majorly contributed by the M&HCV segment. As a result of which TMFL's total disbursements (including refinance) increased by 22.8% at ₹8,985 crores in Fiscal 2016 as compared to ₹7,316 crores in Fiscal 2015. TMFL financed a total of 1,12,114 vehicles reflecting a slight decline of 0.6% over 1,12,788 vehicles financed in Fiscal 2015. Disbursements for commercial vehicles increased by 30.4% and were at ₹7,485 crores (75,970 units) as compared to ₹5,741 crores (72,853 units) of Fiscal 2015. Disbursements of passenger vehicles declined by 9.9% to ₹1,350 crores (33,185 units) from a level of ₹1,498 crores (38,444 units). Disbursements achieved under refinance (through Tata Motors Finance Solutions Limited, a 100% subsidiary of TMFL) were at ₹150 crores (2,959 vehicles) during Fiscal 2016.

TMFL has increased its reach by opening limited services branches exclusively in Tier 2 and 3 towns, which have helped in reducing the turn-around-time to improve customer satisfaction. TMFL had 245 branches at the end of Fiscal 2016. The book size of TMFL's corporate lending business, which includes providing finance to TML's dealers & vendors, increased by 97.7%; ₹947 crores in Fiscal 2016 from ₹479 crores in Fiscal 2015.

## MATERIAL CHANGES & COMMITMENT AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes affecting the financial position of the Company subsequent to the close of the Fiscal 2016 till the date of this report.

## SHARE CAPITAL

During the Fiscal 2016, the Company had issued on a Rights basis Ordinary Shares (including the rights offering to ADR holders) and 'A'



Ordinary Shares aggregating ₹7,500 crores. The particulars as required under Section 134 of the Companies Act, 2013 ("Act") read with Rule 4 of the Companies (Share Capital and Debentures) Rules, 2014 on issue of equity shares with differential voting rights on Rights basis during the Fiscal Year is annexed as **Annexure 1**.

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

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

### RISK MANAGEMENT

The Risk Management Committee (RMC) comprising of 4 Independent Directors, has been entrusted with responsibility to assist the Board in (a) overseeing the Company's risk management process and controls, risk tolerance and capital liquidity and funding; (b) setting strategic plans and objectives for risk management and review of risk assessment of the Company (c) review the Company's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk as well as the guidelines, policies and processes for monitoring and mitigating such risks.

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

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

### INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENT

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

### HUMAN RESOURCES

The Tata Motors Group employed 76,598 permanent employees (previous year: 73,485 employees) as of the year end. The Company employed 26,569 permanent employees (previous year: 27,997 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 is commendable.

### Safety & Health – Performance and Initiatives

As part of Company's Safety Excellence Journey which aims to achieve ultimate goal of Zero Injuries to its employees and all stakeholders associated with the Company's operations, Company provides a safe and healthy workplace focusing on creating right Safety Culture across the organization.

The Company has identified four drivers behaviors which will help keep moving in this journey and attain Zero Injury viz. the drivers are engaged at all levels; governance; robust safety processes and improving safe behaviors.

The Company's India operation, has achieved improved performance with Lost Time Injury Frequency Rate (LTIFR) being 0.17 for the Fiscal 2016, a reduction in injury rate by 15% over Fiscal 2015. While overall safety performance has improved but there was one fatality during the year, involving a customer sales employee in a road incident while on the job.

All Manufacturing Plants in India of the Company are certified to ISO 14001 - Environment Management Systems and are also certified to OHSAS 18001 - Occupational Health & Safety Management System. Further, all CV Manufacturing Plants in India are certified to ISO 50001 - Energy Management System. The Company has undertaken several initiatives for resource conservation such as re-cycling of treated effluents back to process, energy and material recovery from hazardous wastes and rainwater harvesting. Manufacturing plants also generate in-house renewable power and source off-site green power where available.

The Senior Leadership is fully committed and engaged in safety and health journey and has set up a very robust Governance and Engagement model at various level right from having Safety Health and Environment Committee at Board, Business, Site, Corporate, Sub-committees and Factory Implementation Committees.

The Company continued Campaign 'i-drive safe' - an initiative on building a safe driving culture amongst its employee and associates

and have trained them Defensive Driving. In excess of 19,103 employees and associates till date have been trained under this campaign, initiated few years ago.

In line with Safety and Health Policy, to enhance safety standards of its business partners, the Company engages supply chain for safety. The objective of such engagement is to raise the Safety standards of dealer workshops. **Jagruiti – Safety Awareness Building Campaign** for Workshop Managers is a year-long campaign focused on building awareness on safety and understanding of the Company's expectations on Dealers Workshop Safety. This programme is collaboration of the Company, Castrol and training partner ICECD. The year-long campaign aims to cover works managers/representatives of 2,000 workshops (CV & PV) across India by January 2017. In Fiscal 2016, 21 sessions are conducted covering 565 workshops.

In health area, the Company under the '**Health Plus Because you matter!**' initiative engaged employees on various subject of Health. Series of initiatives like awareness sessions, mailers, etc. have been conducted under this initiative. For Food Safety, HACCP Certification process has been started at plant canteens.

The Jaguar Land Rover business drives its health and safety ambition through its campaign - **Destination Zero – A Journey to Zero Harm**. This is overseen by the statements on the Jaguar Land Rover, '**Blueprint for Lasting Success**' with the overall commitment that states "Our most valuable asset is our people, nothing is more important than their safety and wellbeing. Our co-workers and families rely on this commitment. There can be no compromise". The business maintains its accreditation to the external standard of OHSAS 18001, with all the UK locations accredited to the standard through a series of annual external assessments. The business has reviewed and re-launched its internal safety assessment process **SHARP** (Safety and Health Assessment Review Process) within its manufacturing locations. The Lost Time Case Rate in terms of incidents has remained steady with around 7.0% improvement over previous year's performance, against a backdrop of massive growth and increased headcount and volumes within the business. The activities deployed to deliver this ambition of **Zero Harm** are underpinned with everyone being encouraged to understand and take responsibility for their own and their fellow workers safety and wellbeing. Each functional area has ability to build their own plans of activities to drive the performance within their own area of responsibility. During last year the business has launched the **Wellbeing Charter** – an externally assessed framework to deliver excellence in wellbeing activities and strategies. This is a journey Jaguar Land Rover is embarking on, to achieve and sustain excellence in this subject. In the last quarter the business received its first recognition on this journey by being awarded the '**Commitment Level**' in the framework.

TDCV Korea achieved an improvement in Safety Index to 0.33 from 1.15 in Fiscal 2016. There has been continued leadership commitment and engagement with focus in areas safety communication, risk assessment, improving capabilities of employees for emergency situations.

TMTL, Thailand and TMSA, South Africa sustained good performance in area of Safety and Health during Fiscal 2016.

### Prevention of Sexual Harassment

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. The Company is committed to providing equal opportunities without regard to their race, caste, sex, religion, colour, nationality, disability, etc. All women associates (permanent, temporary, contractual and trainees) as well as any women visiting the Company's office premises or women service providers are covered under this Policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

During the Fiscal 2016, the Company has received 7 complaints on sexual harassments, which have been substantiated and appropriate actions were taken. The Company organized 15 workshops or awareness program against sexual harassment. There were no complaints pending for more than 90 days during the year.

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

## BUSINESS RESPONSIBILITY REPORT

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

## FINANCE

During the year, the free cash flows for Tata Motors Group were ₹6,543 crores, post spend on capex, design and development of ₹32,623 crores. Tata Motors Group's borrowing as at March 31, 2016 stood at ₹70,468 crores (as at March 31, 2015: ₹73,610 crores). Cash and bank balances and investments in mutual funds stood at ₹52,091 crores (as at March 31, 2015: ₹46,174 crores). With healthy profitability and cash flow generation, the Consolidated Net Automotive Debt to Equity Ratio stood at (0.01) as at March 31, 2016 as compared to 0.19 as at March 31, 2015.

The Cash flows from operations were positive ₹2,346 crores for standalone operations of the Company. Spend on capex, design and development were ₹2,982 crores (net). The borrowings of the Company as at March 31, 2016 stood at ₹15,887 crores (as at March 31, 2015: ₹21,134 crores). Cash and bank balances including mutual funds stood at ₹2,188 crores (as at March 31, 2015: ₹945 crores).

The Company did a Rights Issue for ₹7,498 crores (US\$1.2 billion) by allotting 15,04,90,480 Ordinary shares (including 3,20,49,820 shares

underlying the ADRs) of ₹2 each at a premium of ₹448 per share, aggregating ₹6,772.07 crores and 2,65,09,759 'A' Ordinary shares of ₹2 each at a premium of ₹269 per share, aggregating ₹718.42 crores. As per the object of the Issue, the proceeds of ₹500 crores from the share issue have been used for funding expenditure towards plant and machinery, ₹1,500 crores towards research and product development, ₹4,000 crores towards repayment in full or in part of certain long-term and short-term borrowings and ₹1,401.10 crores towards general corporate purposes.

The Company prepaid ₹140 crores of its unsecured 10% NCD due in 2019 and ₹10 crores of its unsecured 10.30% NCD due in 2018.

At JLR, post spend on capex, design and development of GB£2,806 million (₹27,673 crores), the free cash flows were GB£791 million (₹7,550 crores) for Fiscal 2016. The borrowings of JLR as at March 31, 2016, stood at GB£2,500 million (₹23,863 crores) [previous year: GB£2,550 million (₹23,574 crores)]. Cash and financial deposits stood at GB£4,651 million (₹44,394 crores) [previous year: GB£4,263 million (₹39,411 crores)]. Additionally, JLR has undrawn committed long term bank lines of GB£1,875 million (JLR data as per IFRS).

TML Holdings Pte Ltd, Singapore, a 100% subsidiary of the Company, holding the investment in Jaguar Land Rover and other foreign subsidiaries has refinanced existing unsecured multi currency loan of US\$600 million (US\$250 million and SG\$62.8 million maturing in November 2017 and US\$210 million and SG\$114 million maturing in November 2019) by a new syndicated loan of US\$600 million (US\$300 million maturing in October 2020 and US\$300 million maturing in October 2022). Subsequently TML Holdings Pte Ltd, Singapore has also refinanced the existing SG\$350 million 4.25% Senior notes due in May 2018 by a new syndicated loan of US\$250 million maturing in March 2020.

Tata Motors Finance Limited has raised an amount aggregating to ₹434 crores by way of Non-Participating Cumulative Compulsorily Convertible Preference Shares which qualified as Tier 1 capital to meet growth and maintain capital adequacy ratio. There has been no fresh issuance of perpetual debt instruments or subordinated debt instruments/debentures towards Tier 1 and Tier 2 Capital in Fiscal 2016.

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 at "Ba2"/Stable by Moody's and was retained by Standard & Poors to "BB"/with change in outlook to Stable. For borrowings in the local currency, the ratings was retained by Crisil at "AA"/Stable and by ICRA at "AA"/Stable. The Non-Convertible Debentures and Long Term Bank facilities i.e. (Buyers Credit) rating by CARE was retained at "AA"/Stable. During

the year, JLR's rating was retained by Moody's at "Ba2"/Positive and was retained by Standard & Poors at "BB"/with change in outlook to Stable for Tata Motors Finance, CRISIL has maintained its rating on long-term debt instruments and bank facilities to CRISIL "AA/ A1+"/Stable and ICRA has maintained its rating at AA/Stable for long term.

## FIXED DEPOSITS

The Company has not accepted any deposits from the public falling in the ambit of Section 73 of the Act and The Companies (Acceptance of Deposits) Rules, 2014.

## EXTRACT OF ANNUAL RETURN

As provided under Section 92(3) of the Act, the details forming part of the extract of the Annual Return is annexed herewith in **Form MGT 9 Annexure 2**.

## INFORMATION TECHNOLOGY AND DIGITAL PRODUCT DEVELOPMENT INITIATIVES

### Information Technology Initiatives

The Company is a forerunner in the Industry to adopt new technologies in the evolving digital area. The Company has a well-defined IT roadmap which revolves around user experience, mobility, analytics and cloud driven flexible infrastructure. It leverages its strong partnerships with product and services companies to harness the potential of Information Technology for ensuring execution of business initiatives towards a competitive advantage. The major highlights of IT at the Company are:

- ❖ Major technology upgrades undertaken including ERP, CRM, Analytics systems to make the systems current and leverage new versions' mobile friendly capabilities
- ❖ Implemented key projects in Supplier Relationship Management, comprehensively digitizing supplier processes to deliver speed, optimum in-line inventory and transparency
- ❖ Enabling World Class Quality initiative of the Company through key IT interventions on the shop floor e.g. Project Tantra for poka yoke on key aggregates
- ❖ IT has enabled customer care initiatives like implementation of Theory of Constraints in Spare Parts to improve parts availability, and reengineering the accident repair process for faster deliveries of repaired vehicles to customers
- ❖ Digital initiatives like job cards on tablets, customer self-service app, a new mobile friendly intranet and device and browser independent CRM in it upgraded avatar
- ❖ The IT initiatives towards the journey to digital readiness have been acknowledged with many industry awards including the Digitalist, Jewels of Digital, IDC Insights Award for Employee engagement, CIO Power List (Automotive Icon and Cloud Icon)



- ❖ Greater systematic collaboration with subsidiaries leveraging IT leadership in Tata Motors. A key achievement has been extension of collaboration solution to six subsidiaries
- ❖ Strengthening information security through multiple initiatives under ISO 27000 framework while covering mobiles under enterprise security
- ❖ Playing a leading role in AutoDx, the EDI initiative under the SIAM ACMA umbrella. AutoDX transactions have rapidly and successfully scaled up in Fiscal 2016.

Information Technology initiatives and Digital Business roadmap would help the Company in being forefront of automotive industry, supporting business growth and innovation to strengthen the Company's core technology capabilities.

### Digital Product Development Systems Initiatives

The Company has constantly adopted new technologies and practices in digital product development domain to improve the product development process. This has led to having a better front loading of product creation, validation and testing towards timely delivery and getting the new products first time right. Niche integration tools, systems and processes continue to be enhanced in the areas of CAx, Knowledge Based Engineering (KBE), Product Lifecycle Management (PLM) and Manufacturing Planning Management (MPM) for more efficient end-to-end delivery of the product development process.

Some of the key enhancements done in digital product development domain include:

- ❖ Embedding manufacturing feasibility and DFx in engineering and design to early detection and resolution of feasibility issues
- ❖ Enhancement of virtual simulation capability leading to front loading of activities, e.g. in crash
- ❖ Enhancement of PLM and addition of new functionality for process control and collaboration like auto flashing of ECU at dealer location, vehicle feature list release process and change management
- ❖ Implementation of 15 new KBE applications in the area of design and safety, e.g. dashboard reflection analysis, seat comfort analysis, etc
- ❖ Enhancement of product visualization process for realistic evaluations and showcasing the in-mobility applications
- ❖ Development of new 3D product data visualization application for aiding downstream agencies for better decision making
- ❖ Improved utilisation of Digital Manufacturing Planning and Factory Simulation shop floor in the form of 3D work instructions for shop floor usage.

## Subsidiaries

### Jaguar Land Rover (JLR)

JLR continues its business transformational initiative, 'i-PLM', delivered through a strategic partnership with a leading software technology provider. At the core of i-PLM is the philosophy of 'Single Source of Truth', author once and consume everywhere. This vision and the close alignment with the software platform, delivers a simplified product creation landscape which eliminates inefficient integration issues at source.

This transformational journey has begun with the implementation of the vision for one vehicle programme that has moved from its legacy systems, with several more to follow over the next few months and the support processes and team for the new solution are active with a very high level of customer satisfaction.

### Tata Daewoo Commercial Vehicles (TDCV)

TDCV continued the momentum of focusing on quality and speed in its digital product creation processes. As part of this, PLM application server infrastructure was refreshed, consolidated with the latest hardware and virtualization technology, enabling implementation of critical application suite resulting in improved availability.

### Tata Technologies Limited (TTL)

TTL continued to invest in new technological advancements as part of the hardware and software upgrades. It initiated a Virtual Desktop Infrastructure (VDI) setup in the training area to facilitate faster deployment of CAD/CAE/PLM software applications in a virtual environment.

### Tata Motors European Technical Centre (TMETC)

TMETC upgraded its data center infrastructure for PLM to the best in class virtualised environment. It implemented high performance computing to enable faster digital validation. Knowledge Based Engineering Applications were introduced in the engineering and design areas.

## TECHNOLOGY AND ENVIRONMENT FRIENDLY INITIATIVES

The Company is working on several electrification, hybridisation and alternate fuel technologies in addition to developing technologies that improve the footprint of conventional powertrains. Some of the key areas are enlisted below:

- ❖ Fully electric versions of small commercial vehicles aimed at complying to regulatory environment in crowded areas of cities where they ply, proving Company's thrust on cutting edge technologies
- ❖ Hybrid electric vehicles for passenger cars which are at various stages of maturity

- ❖ Delivery of diesel series hybrid buses to the city of Mumbai in near future based on successful fleet operation of CNG hybrid buses in Madrid, Spain which has covered close to a million kilometers in revenue service
- ❖ Fuel cell version of the hybrid bus as well as full electric buses, based on large format battery packs and overhead current collectors
- ❖ Dual fuel technology (CNG plus diesel) developed and limited field trials conducted
- ❖ Development of fuel efficient driveline oil (transmission and axle) enhancing customer delight
- ❖ Fuel efficiency improvement by implementing variable valve timing and variable oil pump technologies on passenger car gasoline engine
- ❖ Continuation of fuel efficiency improvement initiatives on passenger and commercial vehicles through software features in engine management system & vehicle level parameter optimization.

## CONSOLIDATED FINANCIAL STATEMENTS

Tata Motors announces consolidated financial results on a quarterly basis. As required under the SEBI Listing Regulations, consolidated financial statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India, form part of the Annual Report and are reflected in the consolidated financial statements of the Company. Pursuant to Section 129(3) of the Act, a statement containing the salient features of the financial statements of the subsidiary companies is attached to the financial statements in **Form AOC-1**. The Company will make available the said financial statements and related detailed information of the subsidiary companies upon the request by any member of the Company or its subsidiary companies. These financial statements will also be kept open for inspection by any member at the Registered Office of the Company and the subsidiary companies.

Pursuant to the provisions of Section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries, are available on the website of the Company.

## SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

The Company had 77 (direct and indirect) subsidiaries (11 in India and 66 abroad) as on March 31, 2016, as disclosed in the accounts.

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

### Subsidiary companies formed/acquired:

- ❖ TMNL Motor Services Nigeria Limited was incorporated with effect from September 2, 2015
- ❖ Jaguar Land Rover Limited acquired Silkplan Limited with effect from April 16, 2015

- ❖ Jaguar Land Rover Slovakia s.r.o was incorporated with effect from August 27, 2015
- ❖ Jaguar Land Rover Singapore Pte. Limited was incorporated with effect from November 25, 2015
- ❖ Jaguar Racing Limited was incorporated with effect from February 2, 2016
- ❖ Inmotion Ventures Limited was incorporated with effect from March 18, 2016.

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

- ❖ Land Rover Parts Limited was dissolved and struck off with effect from July 14, 2015

### Name changes

- ❖ Jaguar e Land Rover Brasil Importacao e Comercia de Veiculos Ltda was renamed as Jaguar e Land Rover Brasil Industria e Comercio de Veiculos LTDA with effect from February 10, 2016

### Capital Re-structuring/change in nature of Company

- ❖ The Company's entire shareholding in Sheba Properties Limited, a wholly owned subsidiary, was sold to Tata Motors Finance Limited, another direct subsidiary of the Company with effect from March 31, 2016
- ❖ Tata Motors Finance Solutions Pvt. Ltd. was converted into a public limited company named Tata Motors Finance Solutions Ltd. with effect from June 4, 2015.

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 business of the subsidiary companies.

### Joint Ventures and Associate Companies

As at March 31, 2016, Tata Motors had 6 Associate Companies and 6 Joint Ventures. One of these Joint Ventures has 13 wholly owned subsidiaries, details of the same are disclosed in the accounts. During the year there were no changes in any of the Associates and Joint Ventures of the Company.

The Company has adopted a Policy for determining Material Subsidiaries and is available on the Company's website ([www.tatamotors.com/investors/pdf/material.pdf](http://www.tatamotors.com/investors/pdf/material.pdf)).

## ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

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

## CORPORATE GOVERNANCE

A separate section on Corporate Governance forming part of the Board's Report and the certificate from the Practicing Company Secretary confirming compliance of Corporate Governance norms as stipulated in Regulation 34 read along with Schedule V of the SEBI Listing Regulations is included in the Annual Report.

### DIRECTORS

#### Appointment

During the year under review, on the recommendation of Nomination and Remuneration Committee ("NRC") and in accordance with provisions of Section 161 of the Act, Mr Guenter Butschek was appointed as an Additional Director with effect from February 15, 2016 and holds office upto the date of the forthcoming Annual General Meeting ("AGM") and being eligible has offered himself for appointment as Director. Mr Butschek is appointed as Chief Executive Officer and Managing Director of the Company for a period of 5 years with effect from February 15, 2016, subject to approval of Members and the Central Government.

#### Re-appointment

Mr Ravindra Pisharody, Executive Director (Commercial Vehicles) is being re-appointed w.e.f July 1, 2016 upto November 24, 2020 (upon the termination of the existing contract w.e.f July 1, 2016) and in accordance with the provisions of the Act and the Articles of Association of the Company, Mr Pisharody retires by rotation and is eligible for re-appointment.

Mr Satish Borwankar, Executive Director (Quality) is being re-appointed w.e.f July 1, 2016 upto July 15, 2017 (upon the termination of the existing contract w.e.f July 1, 2016).

There was no change in the composition of the Board during Fiscal 2016, other than appointment of Mr Butschek, CEO and Managing Director of the Company.

The disclosures required pursuant to Regulation 36 of SEBI Listing Regulations are given in the Notice of the AGM, forming part of the Annual Report and disclosure pursuant to Schedule V, Part II, proviso of Section II B(iv)IV of the Act and Schedule V of SEBI Listing Regulations is annexed hereto as **Annexure 4**.

Attention of the Members is invited to the relevant items in the Notice of the AGM and the Explanatory Statement thereto.

#### Independent Directors

Pursuant to the provisions of Section 149 of the Act read along with the Rules framed thereunder and the Resolutions passed by the Members at the Annual General Meeting held on July 31, 2014, Mr N Munjee, Mr V K Jairath and Ms Falguni Nayar would continue as Independent Directors upto July 30, 2019. Mr Nusli Wadia, Dr Raghunath Mashelkar and Mr Subodh Bhargava would continue as Independent Directors

upto February 14, 2019, December 31, 2017 and March 29, 2017, respectively, as per the Governance Guidelines adopted by the Company. All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act and Regulation 16 of the SEBI Listing Regulations.

### KEY MANAGERIAL PERSONNEL

During the year under review, the Company designated Mr Guenter Butschek as Chief Executive Officer and Managing Director of the Company as one of the Key Managerial Personnel (KMP), under Section 203 of the Act, with effect from February 15, 2016. The following Directors/Executives continued as KMPs of the Company during Fiscal 2016:

- ❖ Mr Ravindra Pisharody, Executive Director (Commercial Vehicles)
- ❖ Mr Satish Borwankar, Executive Director (Quality)
- ❖ Mr C Ramakrishnan, Group Chief Financial Officer \*
- ❖ Mr Hoshang Sethna, Company Secretary

*\* (Superannuated on June 30, 2015 and Re appointed as Group Chief Financial Officer w.e.f. July 1, 2015)*

### GOVERNANCE GUIDELINES

During the year under review, the Company adhered to the Governance Guidelines on Board Effectiveness. The Governance Guidelines cover aspects related to composition and role of the Board, Chairman and Directors, Board diversity, definition of independence, director term, retirement age and Committees of the Board. It also covers aspects relating to nomination, appointment, induction and development of directors, director remuneration, subsidiary oversight, Code of Conduct, Board Effectiveness Review and Mandates of Board Committees.

#### Selection and procedure for nomination and appointment of Directors

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

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

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

The NRC has formulated the criteria for determining qualifications,

positive attributes and independence of Directors in terms of provisions of Section 178 (3) of the Act and Regulation 19 read along with Schedule II of SEBI Listing Regulations, which is annexed as **Annexure 5**.

## REMUNERATION POLICY

The Company has in place a Remuneration Policy for the Directors, Key Managerial Personnel and other employees, pursuant to the provisions of the Act and Regulation 19 of SEBI Listing Regulations, and the same is annexed as **Annexure 6**.

## BOARD EVALUATION

Pursuant to the provisions of the Act and the Corporate Governance requirements as prescribed by SEBI Listing Regulations, the Board has carried out an annual evaluation of its own performance and that of its Committees and individual Directors.

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

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

## FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

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

## BOARD AND COMMITTEE COMPOSITION

Details of the composition of the Board and its Committees, Meetings held, attendance of the Directors at such Meetings and other relevant details are provided in the Corporate Governance Report.

## BOARD MEETINGS

During the year under review, 10 Board Meetings were convened and held.

## VIGIL MECHANISM

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

## 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 197(12) of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in the Annexure forming part of the Report. In terms of proviso to Section 136(1) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. The said statement is also open for inspection at the registered office of the Company. Any member interested in obtaining a copy of the same may write to the Company Secretary.

Disclosure pertaining to remuneration and other details as required under Section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are Annexed to the report as **Annexure 4**.

## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure 7** of this Report in the format prescribed in the Companies (CSR Policy) Rules, 2014. The Policy is available on Company's web-site ([www.tatamotors.com/investors/pdf/csr-policy-16-17.pdf](http://www.tatamotors.com/investors/pdf/csr-policy-16-17.pdf)).

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE COMPANY

The details of Loans, Guarantees or Investments made under Section 186 of the Act during the year are given below:

(₹ in crores)

Sr No.	Companies	Nature of Transaction	Loans	Guarantees	Investments
1	TAL Manufacturing Solutions Limited	Inter-corporate deposits	5.00	-	-
2	Concorde Motors (India) Limited	Inter-corporate deposits	15.00	-	-
3	Tata Marcopolo Motors Limited	Inter-corporate deposits	25.00	-	-
4	TAL Manufacturing Solutions Limited	Investment in Rights Issue	-	-	15.00
5	Concorde Motors (India) Limited	Investment in Rights Issue	-	-	45.00
6	Tata Hispano Motors Carrosseries Maghreb	Investment in loans	58.32	-	-
7	Tata Motors European Technical Centre Plc	Investment in loans/shares	19.66	158.45*	73.09
8	Tata Motors Finance Limited	Compulsory Convertible Preference Shares with call option to TML			#

Notes:

- (i) \*Outstanding amount of Guarantee given to University of Warwick for development and funding of NAIC
- (ii) #The Company has not invested through CCPS of ₹434 crores The call option is available with the Company to acquire CCPS from investors.
- (iii) Guarantees other than in connection with a loan given to any person is given under Note No. 30 (ii) (c) in the Standalone Financial Statements in the full Annual Report

## PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/arrangements/transactions entered by the Company during the financial year with related parties were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Act and SEBI Listing Regulations. There are no materially significant Related Party Transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee comprising Mr N Munjee, Chairman, Dr RA Mashelkar, Mr VK Jairath and Ms Falguni Nayar being Independent Directors of the Company, for its approval. A statement of all Related Party Transactions is placed before the Audit Committee for its review on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

The Company has adopted a revised Policy on Related Party Transactions to mainly incorporate changes pertaining to substitution of earlier Listing Agreement provisions with those of SEBI Listing Regulations and providing the parameters for granting omnibus approvals by the Audit Committee. The Policy, as approved by the Board, is uploaded on the Company's website ([www.tatamotors.com/investors/pdf/rpt-policy.pdf](http://www.tatamotors.com/investors/pdf/rpt-policy.pdf)).

During the Fiscal 2016, there have been no materially significant related party transactions between the Company and Directors, management, subsidiaries or relatives, as defined under Section 188 of the Act and Regulations 23 the SEBI Listing Regulations.

There are no transactions that are required to be reported in **Form AOC-2** and as such does not form part of the Report.

## AUDIT

In the 69<sup>th</sup> Annual General Meeting held on July 31, 2014, M/s. Deloitte Haskins & Sells LLP, (DHS), Chartered Accountants have been appointed Statutory Auditors of the Company for a period of 3 years. At the AGM held on August 13, 2015, the Members ratified the appointment of DHS for the 2<sup>nd</sup> year. Ratification of appointment of Statutory Auditors for the 3<sup>rd</sup> year is being sought from the Members of the Company at this AGM. Further, DHS have, under Section 139(1) of the Act and the Rules framed thereunder furnished a certificate of their eligibility and consent for appointment.

The report of the Statutory Auditors alongwith notes to Schedules is enclosed to this Report. The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

The Auditor's Report does not contain any qualification, reservation, adverse remark or disclaimer.



## COST AUDIT

As per Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a Cost Accountant in practice. The Board of the Company has on the recommendation of the Audit Committee, approved the appointment of M/s Mani & Co. having registration No.000004 as the Cost Auditors of the Company to conduct cost audits pertaining to relevant products prescribed under the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time for the year ending March 31, 2017 at a remuneration of ₹5 lakhs plus out of pocket expenses.

It may be noted that the records of the activities under Cost Audit is no longer prescribed for "Motor Vehicles and certain parts and accessories thereof". However, based on the recommendations of the Audit Committee, the Board has also approved the appointment of M/s Mani & Co. for submission of reports to the Company on cost records pertaining to these activities for a remuneration of ₹15,00,000 (Rupees Fifteen Lakhs) for the said financial year.

M/s Mani & Co., have vast experience in the field of cost audit and have conducted the audit of the cost records of the Company for the past several years under the provisions of the erstwhile Companies Act, 1956.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s Parikh & Associates, a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as **Annexure 8**. The Secretarial Audit Report does not contain any qualifications, reservation, adverse remarks or disclaimer.

## DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost, external agencies and secretarial auditors, including audit of internal financial controls over financial reporting by the Statutory Auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during Fiscal 2016.

Accordingly, pursuant to Section 134(5) of the Act, the Board to the best of their knowledge and ability, confirm that:

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

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

## ACKNOWLEDGEMENT

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 30, 2016