

BOARD'S REPORT

TO THE MEMBERS OF TATA MOTORS LIMITED

The Directors present their Seventy Second Annual Report along with the Audited Statement of Accounts for Fiscal 2017.

Pursuant to the notification issued by the Ministry of Corporate Affairs on February 16, 2015 and under the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, the Company has adopted Indian Accounting Standards on April 1, 2016, with the transition date as April 1, 2015. Fiscal 2016 Financial Statements have been prepared in accordance with the recognised and measurement principles stated therein.

FINANCIAL PERFORMANCE SUMMARY

(₹ in crores)

	Tata Motors (Standalone)*		Tata Motors Group (Consolidated)	
	Fiscal 2017	Fiscal 2016	Fiscal 2017	Fiscal 2016
FINANCIAL RESULTS				
Income from operations	49,100.41	47,383.61	2,74,492.12	2,77,660.59
Total expenditure	47,399.74	44,018.78	2,37,579.76	2,35,884.31
Operating profit	1,700.67	3,364.83	36,912.36	41,776.28
Other Income	978.84	1,402.31	754.54	885.35
Profit before interest, depreciation, amortization, exceptional item and tax	2,679.51	4,767.14	37,666.90	42,661.63
Finance costs	1,590.15	1,592.00	4,238.01	4,889.08
Cash profit	1,089.36	3,175.14	33,428.89	37,772.55
Depreciation, amortization and product development/ engineering expenses	3,423.87	2,747.49	21,318.56	20,179.55
Foreign exchange (gain)/loss (net)	(252.45)	222.91	3,910.10	1,616.88
Profit/(loss) for the year before exceptional items and tax	(2,082.06)	204.74	8,200.23	15,976.12
Exceptional Items - loss (net)	338.71	271.84	(1,114.56)	1,850.35
Profit/(loss) before tax	(2,420.77)	(67.10)	9,314.79	14,125.77
Tax expenses/(credit) (net)	59.22	(4.80)	3,251.23	3,025.05
Profit/(loss) after tax	(2,479.99)	(62.30)	6,063.56	11,100.72
Share of profit of joint ventures and associates (net)	-	-	1,493.00	577.47
Profit/(loss) for the year	(2,479.99)	(62.30)	7,556.56	11,678.19
Other comprehensive income/(loss)	95.48	85.47	(27,494.57)	3,157.46
Total Other comprehensive income/(loss) for the year	(2,384.51)	23.17	(19,938.01)	14,835.65
Attributable to:				
(a) Shareholders of the Company			(20,005.94)	14,724.64
(b) Non-controlling interest			67.93	111.01

* These include the Company's proportionate share of income and expenditure in its two Joint Operations, namely Tata Cummins Pvt Ltd and Fiat India Automobiles Pvt Ltd.

DIVIDEND

Considering the continued weak operating environment in the standalone business and in view of the losses for the year, no dividend is permitted to be paid to the Members for Fiscal 2017, as per the Companies Act, 2013 ("the Act") and the Rules framed thereunder.

TRANSFER TO RESERVES

In Fiscal 2016, an additional amount has been transferred from retained earnings to Debenture Redemption Reserve (DRR) on outstanding Non-Convertible Debentures (NCDs) and Senior Notes (including interest accrued where applicable) of ₹43.79 crores. Due to losses in Fiscal 2017, resulting in debit balance in retained earnings no amount has been transferred to DRR on the NCDs allotted in Fiscal 2017.

OPERATING RESULTS AND PROFITS

Fiscal 2017 has been marked by couple of 'Black Swan' events (like Brexit -UK decision to exit EU and Demonetization in India) having a large impact on the future course of developments. This year was marked by the way for the long awaited and transformational Goods and Service Tax (GST).

Growth of World GDP has been 3.1% in Fiscal 2016. A recovery in commodity prices has provided some relief to commodity exporters and helped in reducing the deflationary pressures. The Organisation of the Petroleum Exporting Countries (OPEC) ability to increase price by cutting down production has been curtailed by rising Shale gas output in US. Moreover, structural problems such as low productivity growth and high-income inequality persisted and are

likely to be continued. Activity rebounded strongly in the United States in second half of calendar 2016 compared to weaker first half. However, output remained below potential in a number of other advanced economies, notable in the European area. The picture of emerging market and developing economies remained much more diverse. The growth rate in China was a bit stronger than expected, supported by continued policy stimulus. Activity was weaker than expected in some Latin American countries such as Brazil, whereas, activity in Russia was slightly better than expected, in part reflecting firmer oil prices.

India's economy has grown at a strong pace in recent years owing to the implementation of critical structural reforms and lower external vulnerabilities. It has grown by 7.1% in Fiscal 2017, compared to 7.9% in Fiscal 2016 primarily because of the temporary consumption shock induced by cash shortages and payment disruptions from demonetisation. Private investment continues to remain weak due to over capacity. In order to propel the economy the government has been trying to give a thrust to the investment by allocating a higher sum towards gross fixed capital formation.

The **Tata Motors Group** registered a de-growth of 1.1% in income from operations to ₹2,74,492 crores in Fiscal 2017 as compared to ₹2,77,661 crores in Fiscal 2016, due to negative translation impact from Great British Pound (GBP) to Indian Rupee (₹) of ₹27,686 crores and de-growth in the M&HCV segment in India was offset by higher wholesale volumes in Jaguar and Land Rover and growth in Passenger Vehicle segment in India. The consolidated EBITDA margins for Fiscal 2017 stood at 13.4%. Consequently, Profit Before Tax (PBT) and Profit After Tax (PAT) [post share of profit of joint ventures and associates (net)] were ₹9,315 crores and ₹7,557 crores, respectively.

Tata Motors Limited recorded income from operations (including joint operations) of ₹49,100 crores, 3.6% higher from ₹47,384 crores in the previous year. Muted demand of M&HCV and LCV due to weak replacement demand, subdued freight demand from industrial segment, which took a further hit post demonetization and lower than expected pre-buying ahead of the implementation of BS-IV, resulting in lower EBITDA margins of 3.5% in Fiscal 2017 as against 7.1% in Fiscal 2016. Loss Before and After Tax (including joint operations) for Fiscal 2017 were at ₹2,421 crores and ₹2,480 crores, respectively, as compared to Loss Before and After Tax (including joint operations) of ₹67 crores and ₹62 crores, respectively in Fiscal 2016. The losses were primarily driven by less favourable market and model mix, including higher marketing expenses, depreciation and amortization and other operating cost.

Jaguar Land Rover (JLR) (as per IFRS) recorded revenues of GB£24.3 billion compared to GB£22.3 billion in Fiscal 2016, driven by higher sales volumes and weaker GB£.

Consolidated EBITDA for Fiscal 2017 at GB£3.0 billion, was marginally lower as compared to EBITDA of GB£3.1 billion for Fiscal 2016, as the higher revenue was more than offset by higher marketing,

manufacturing and other operating expenses. EBIT was GB£1.5 billion in Fiscal 2017 lower than GB£1.8 billion in Fiscal 2016, due to higher depreciation and amortization which were partially offset by higher profits from the Chinese joint venture.

PBT in Fiscal 2017 was GB£1.6 billion in-line with the PBT of GB£1.6 billion in Fiscal 2016, the lower EBIT and unfavourable foreign exchange revaluation was more than offset by a favourable revaluation of commodity hedges and of GB£151 million further recoveries relating too to Tianjin fire in this year compared to GB£157 million net charge than in Fiscal 2016.

In May 2016, JLR redeemed the remaining US\$84 million (GB£57 million equivalent) of the 8.125% US\$ bond maturing in 2021 by exercising its call option, the majority of which was successfully tendered and redeemed in March 2015. In January 2017, JLR issued a €650 million 7-year bond with a coupon of 2.20% and a GB£300 million 4-year bond with a coupon of 2.75%. In addition, JLR successfully undertook a consent solicitation in March 2017 to align the terms of three of their older bonds to the terms of the Euro and GB£ bonds issued in January 2017.

Tata Motors Finance Limited (TMFL) (consolidated) (as per Indian GAAP) the Company's captive financing subsidiary, reported revenue of ₹2,721 crores (Fiscal 2016 ₹3,229 crores) and reported a Loss After Tax ₹1,182 crores in Fiscal 2017, as compared to PAT ₹267 crores in Fiscal 2016.

Tata Daewoo Commercial Vehicle Company Limited South Korea (TDCV), (as per Korean GAAP) registered revenues of KRW 1,032 billion in Fiscal 2017, a growth of 17.3% over Fiscal 2016 mainly due to increase in domestic sales. The PAT was KRW 50 billion compared to KRW 46 billion in Fiscal 2016. Higher domestic volume, better mix, favourable exchange realizations and material cost reduction helped in improving profits.

VEHICLE SALES AND MARKET SHARES

The **Tata Motors Group** sales for this year stood at 11,57,808 vehicles, up by 8.8% as compared to Fiscal 2016. Globally the Company sold 3,96,097 Commercial Vehicles and Passenger Vehicles were 7,61,711.

TATA MOTORS

Tata Motors recorded sales of 545,416 vehicles, a growth of 6.5% over Fiscal 2016. In Fiscal 2016 Industry in India, grew by 8.3%, resulting in the Company's market share decreasing to 12.8% in Fiscal 2017 in the Indian Automotive Industry from 13.1% in the Fiscal 2016. The Company's exports on standalone basis grew by 10.6% to 64,221 vehicles in Fiscal 2017 as compared to 58,058 vehicles in Fiscal 2016.

Commercial Vehicles

The domestic demand for Commercial Vehicles was volatile through the year, as a result of Government and Regulatory announcements -

e.g. Goods and Service Tax (GST), demonetization, emissions change from BS-III to BS-IV etc. Within the domestic market, the Company sold 3,24,175 Commercial Vehicles, a marginal fall of 0.8% from Fiscal 2016. While the overall growth of Commercial Vehicles for the Company has been muted, some specific segments like M&HCV tipper (Construck), Buses and Pickup have seen strong growth during Fiscal 2017.

Some of the highlights for the year were:

- ❖ Unveiled its very first Brand Ambassador – Akshay Kumar in December 2016. He will be the face of the entire CVBU range going forward.
- ❖ The Xenon Yodha Pickup was launched in January 2017. A reliable new Pickup with high levels of performance and lower operating costs, it has been very well received and is gaining acceptance from customers.
- ❖ Launched a range of state of the art buses running on alternate fuels including Electric, Hybrid and LNG. An order for 25 hybrid buses to the Mumbai Metropolitan Region Development Authority is in the process of being fulfilled.
- ❖ The Magic Mantra SCV Passenger Vehicle with superior performance was launched to augment the existing Magic and Iris models in the last mile connectivity segment.
- ❖ The Magna Bus Coach was introduced as the next-generation coach for inter-city people movement. Feedback on the product has been encouraging.
- ❖ In the M&HCV segment several new products were launched – Ultra 1518 truck, LPK 1615 tipper, LPT 3718 Pusher Lift Axle rigid truck and a further extension of the SIGNA range of Tractors. 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.
- ❖ Launched a refreshed version of the Tata Loyalty Program with a unique cover of ₹10 lakhs accidental insurance for five years for the driver – a first of its kind in the industry, plus a host of benefits to enable customers to accumulate points for every spend along with many more attractive options for redeeming points accrued.
- ❖ This year, the Company won four prestigious awards at the Apollo CV Awards:
 - ◆ Tata Armoured Personnel Carrier - winners of the Special CV Application of the Year award.
 - ◆ MCV tipper of the Year award was won by Tata Prima 2528.K
 - ◆ Tata DLT double-deck tractor (trailer) carrier won the CV application builder of the Year award
 - ◆ Tata Signa 4923.S tractor won the HCV tractor cargo carrier of the Year award.
 - ◆ Dealership of the Year Award- Cargo Motors Pvt. Ltd.
- ❖ Dipper Campaign-Use Dipper At Night – an innovative campaign to bring awareness amongst the truck driver community for safe practices has been extremely well received and acknowledged through various awards such as the CANNES 2016 - 2 awards – a first for the TATA Group, SPIKES ASIA 2016 awards, and the EFFIES 2016 award.
- ❖ Organized the Prima Truck Racing Championship Season 4, which drew in over 30,000 spectators. The highlights this year were the inclusion of FIA's European Truck Racing Championship (ETRC) drivers in addition to the current crop of racers from the British Truck Racing Association (BTRA), the first female truck driver and an expansion of the Indian Truck Driver Racing Training Program called the "T1 Racer Program". The T1 Racer Program (TRP) is a program started in 2016 to identify regular Indian truck drivers and train them to become racers. This is the second year of the program. This year also saw the unveiling of a 1,000 bhp truck, which will feature as the racing platform for future editions.
- ❖ In order to promote various applications on the Company's products, a series of campaigns have been organized across the country:
 - ◆ **Har Business ka ACE- Fully Built expo-** Pan India 34 expos covering 14,437 customers conducted to showcase the versatility of the Tata SCV platform and leverage the many applications for use by the customers. It has been well received as customers look towards buying ready to use solutions from the Company for enhancing their business.
 - ◆ **Construck Mahotsav** - covered 13 important locations in East India with participation from more than 5,500 customers. This exclusive event to showcased the entire range of construction and mining vehicles to leverage the growing demand for such vehicles.
 - ◆ **Truck World in 2016-17** - Organized Truck World Exhibition with a full range of over 35 different models displayed and visited by more than 13,000 customers across some of the key trucking centers in the country such as Chandigarh, Hyderabad, Guntur, Kanpur and Delhi.
 - ◆ **Tata 407- 30 Year Celebration** - More than 35,000 customers participated in this campaign over two months. The iconic Tata 407 celebrated 30 years and it continues to be the best selling product in the category of LCV trucks. Customers across the country were felicitated for their support in making this one of the most successful brands in the Commercial Vehicle Industry.
 - ◆ **HAMARE BUS KI BAT HAI** - This unique programme reached out to the support staff of school buses across India, helping them improve their efficiency at work.

Since its inception, the programme has reached out to 2,313 schools in 299 cities/towns covering over 96,586 school bus staff.

Passenger Vehicles

The domestic Passenger Vehicle Industry grew by 9.6% during Fiscal 2017. Correction in fuel prices and easing financing cost has resulted in lower operating cost, which should further aid domestic growth in near to medium term. Industry sales crossed 3 million milestone for the first time during the year. The Company's Passenger Vehicles sales were higher by 23.5% at 157,020 vehicles, registering a 5.2% market share. The Company sold 137,175 cars (higher by 28.4%) and 19,845 utility vehicles and vans, (lower by 2.2%). In the Utility Vehicle segment, competitive activity intensified with multiple new launches mainly in the soft-roader category. 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 continued during the Fiscal.
- ❖ Tiago was launched in April 2016, with latest technological advancements and design engineering.
- ❖ Tata Hexa was launched in January 2017, with Automatic and Manual Gearbox, new design language and class leading features.
- ❖ Tigor Compact Sedan was launched towards the end of March 2017.

The above new 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. The Company expanded its new look, stylish, tech savvy best in class flagship Passenger Vehicle showrooms, for superior customer experience

The Company has signed a contract for supply of 3,192 units of the Tata Safari Storme 4x4 to the Indian Armed Forces, under a new category of vehicles – GS800 (General Service 800).

Exports

The Company exported 64,221 vehicles (Fiscal 2016: 58,058 vehicles) comprising 60,184 units of Commercial Vehicles and 4,037 units of Passenger Vehicles during Fiscal 2017.

Export of **Commercial Vehicles** grew by 11.3% in Fiscal 2017 with 60,184 units exported compared to 54,052 in Fiscal 2016, crossing 60,000 shipments for the first time and the highest ever till date. The traditional markets of SAARC remained stronger than last year growing by 21.5% with Sri Lanka, Bangladesh and Nepal contributing to the growth. However, the mid-term duty change in Sri Lanka and the liquidity crisis in Nepal impacted the growth momentum. The

reconstruction and the easing up of pent up demand led to record shipments to Nepal in Fiscal 2017. Low crude oil prices, Middle East geo-political situation, currency devaluations and political strife cast a big shadow over the Company's strong markets of Middle East and Africa this year, with the exception of the newly opened market of Tunisia which grown more than 100%. The Company was able to grow market shares in the key markets of Nepal and Bangladesh. In Fiscal 2017, the Company successfully bagged and executed several prestigious orders including 553 units Xenon pickups for PoS, Malaysia; 537 units of buses to Ivory Coast as a part of their public transportation system; 25 units of Prima in Oman to Al Tasneem; 25 units of ULTRA trucks in Bangladesh to Pran RFL; 32 units of ULTRA trucks in Malaysia to PoS and 39 units of ULTRA Buses in Nepal to Mahanagar Yatayat. Some of the key events in Fiscal 2017 were the launch of Tata ULTRA Trucks in Kenya and Tanzania; ULTRA Bus in Tanzania; Tata Prima in Kingdom of Saudi Arabia and Bhutan. As a part of its strategy to expand its global footprint, the Company also launched the Commercial Vehicle brand in Vietnam and Bolivia. In Fiscal 2017, the Company achieved a key milestone of 1,000 Ultra retails in export markets.

During the period Fiscal 2017, the Company exports of **Passenger Vehicles** stood at 4,037 units, compared to 4,006 units in the Fiscal 2016. Sales in Sri Lanka declined considerably due to increase in import duties and tightening of retail financing. However, this was compensated by the improved sales in Nepal and South Africa with a growth of 120% and 30% respectively.

In Nepal, the launch of Tiago has helped the Company to improve its sales in the hatch segment whereas increased sales of Zest helped to gain the leadership position in the compact sedan segment. The Sumo continues to be the 'Number One' selling brand in UVs in Nepal. In South Africa, aggressive fleet sales push helped us to increase its sales over last year. In Bangladesh, the Company has improved its sales on account of launch of Nano GenX and an institutional order for Sumo Ambulance.

Jaguar Land Rover

In Fiscal 2017, Jaguar Land Rover achieved record retail sales of 604,009 units in Fiscal 2017 a growth of 15.8% as compared to Fiscal 2016, primarily driven by the introduction of the Jaguar F-PACE and continued strong demand for the Land Rover Discovery Sport. The retail sales were higher year-on-year in China by 32%, North America by 24%, the UK 16% and the Europe 13% in Fiscal 2017. However, retail sales were down by 6% in other overseas markets, which include Brazil, Russia and South Africa.

Some of the key highlights of Fiscal 2017:

- ❖ Retail sales of the new Jaguar F-PACE commenced in May 2016 (Winner of World Car of the Year and World Car Design of the Year).
- ❖ The Jaguar XE commenced sales in the US in May 2016.
- ❖ The Range Rover Evoque convertible commenced sales in June 2016.

- ❖ Production of the new long wheel base Jaguar XFL commenced at the Chinese joint venture and went on sale locally in September 2016.
- ❖ The all new Land Rover Discovery was unveiled in September 2016, with sales commencing in February 2017.
- ❖ The new Range Rover Velar was revealed to the public in March 2017 and is the 4th Range Rover model positioned between the Range Rover Evoque and the Range Rover Sport.
- ❖ The Jaguar I-PACE concept, JLR's first battery electric vehicle, was unveiled in November 2016, with sales commencing in 2018.
- ❖ JLR opened its first wholly owned international manufacturing plant in Brazil in June 2016.
- ❖ Production of JLR's in-house 4 cylinder Ingenium petrol engine commenced in September 2016 at the Engine Manufacturing Centre in Wolverhampton in the UK and is now available in the Jaguar XE, XF, F-PACE, Land Rover Discovery Sport and Range Rover Evoque. The Ingenium Petrol Engine will also be available in the new Range Rover Velar from launch.
- ❖ Construction of the manufacturing plant at Nitra in Slovakia began in September 2016 and the all new Discovery would be the first vehicle to be produced at the new plant from 2018.
- ❖ Jaguar XF won the Auto Express Golden Steering Wheel award for best saloon car of 2016.
- ❖ JLR launched its InMotion Ventures business unit in April 2016, established to develop innovative solutions aimed at overcoming future travel and transport challenges. Investments to date include US\$1 million into GoKid (a ride sharing service for schools) and SPLT (a ride sharing/car pooling platform for commuters).

Tata Daewoo Commercial Vehicle Company Limited

Tata Daewoo Commercial Vehicle Company Limited (TDCV) sold 10,317 commercial vehicles, higher by 13.2% over Fiscal 2016, mainly due to increase in domestic sales. TDCV continued the strong performance, in the domestic market in spite of increased competition by selling 8,795 commercial vehicles, registering a growth of 25.0% compared to sales of 7,036 commercial vehicles in Fiscal 2016. The market share for both HCV and MCV Segments put together was 29.6% as compared to 31.0% in Fiscal 2016. The export market scenario was very challenging in Fiscal 2017. Factors like persistently low oil prices, local currency depreciation against the US dollar, continuing statutory regulations to reduce imports, the slowdown in Chinese economy impacting commodity exporting countries and increased dealer inventory, adversely impacted TDCV's exports in major markets, such as Gulf Corporation Council, Russia, Algeria, Vietnam and South Africa. The export sales were 1,522 commercial vehicles, 26.8% lower compared to 2,080 commercial vehicles in Fiscal 2016.

Tata Motors (Thailand) Limited

Tata Motors (Thailand) Limited (TMTL) sold 1,332 units in Fiscal 2017, as compared to 1,312 units in Fiscal 2016. The Thai Automobile Industry has witnessed a flat growth in Fiscal 2017 after 3 straight years of decline.

TMTL has taken the opportunity to refresh its products, services and network, as well as, expand the range of offerings to the Thailand Customers. Fiscal 2017 saw the launch of Super Ace Mint in Q2 of Fiscal 2017 and Ultra Trucks in later part of the year. Initial response for Ultra Truck was encouraging. During the year, TMTL exported 317 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 697 chassis in the South African market in Fiscal 2017 compared to 765 chassis in Fiscal 2016 and exported 6 chassis to Mozambique during Fiscal 2017. TMSA is in the process of introducing a new range of Ultra truck and few more new models of Prima in South Africa and is exploring options to export vehicles to other African countries.

Tata Motors Finance Limited

Tata Motors Finance Limited (TMFL) is the vehicle financing arm under the brand "Tata Motors Finance."

TMFL's total disbursements (including refinance) increased by 3.5% at ₹9,298 crores in Fiscal 2017 as compared to ₹8,985 crores in Fiscal 2016. TMFL financed a total 1,18,883 vehicles reflecting an increase of 6.0% over 1,12,114 vehicles financed in Fiscal 2016. Disbursements for commercial vehicles decreased by 4.8% and were at ₹7,127 crores (77,898 units) as compared to ₹7,485 crores (75,970 units) of Fiscal 2016 mainly due to lower disbursements in the M&HV segment. Disbursements of passenger vehicles increased by 14.3% to ₹1,542 crores (34,126 units) from a level of ₹1,350 crores (33,185 units). Disbursements achieved under refinance (through TMFSL, a 100% Subsidiary of TMFL) were at ₹628 crores (6,859 vehicles) as compared to ₹150 crores (2,959 vehicles) during Fiscal 2016.

TMFL has increased its reach by opening limited services branches (called Spoke and Collections branches) exclusively in Tier 2 & 3 towns, which has helped in reducing the turn around time to improve customer satisfaction. TMFL had 261 branches at the end of Fiscal 2017. The book size of TMFL's corporate lending business, which includes providing finance to TML's Dealers and Vendors, increased by 21.4% from ₹947 crores in Fiscal 2016 to ₹1,150 crores in Fiscal 2017.

As a part of restructuring and consolidation of financial services, the Scheme of Arrangement between TMFL and Sheba Properties Limited (Sheba), wholly owned subsidiary of TMFL, became effective on May 9, 2017. Based on the restructuring plan, TMFL has transferred its New Vehicle Finance (NVF) business to Sheba on January 31, 2017 (appointed date for transfer of assets of NVF Business).

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 2017 till the date of this Report.

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

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

RISK MANAGEMENT

The Risk Management Committee (RMC) comprising of four 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 SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("SEBI Listing Regulations"). It establishes various levels of accountability and overview within the Company, while vesting identified managers with responsibility for each significant risk.

The Board takes responsibility for the overall process of risk management in the organisation. Through Enterprise Risk Management programme, business units and corporate functions address opportunities and the attendant risks 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 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 79,558 permanent employees (Fiscal 2016: 76,598 employees) as of Fiscal 2017 and the Company employed 26,035 permanent employees (Fiscal 2016: 26,569 employees) as of Fiscal 2017. The Tata Motors Group has generally enjoyed cordial relations with its employees and workers.

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

With an objective of improving Organizational Effectiveness, the Company decided to undertake a structure change exercise with key guiding principles of Empowerment to the Business Units with clear accountability for business results, strong functional leadership and oversight for an effective maker-checker concept, improved and speedier decision making, agility and quick responsiveness to market, and strong cross functional alignment to drive quick issue resolution. A new product line organization has been created with complete Profit & Loss responsibility.

Organisational restructuring has delayed the organization to 5 managerial levels below ExCom. This has made the organization lean and agile. The Company has also rationalized span of control of key roles, providing scope for career development and have significantly increased customer facing roles in both the BUs to enhance customer centricity in the organization. Transactional roles have been identified across functions for transition to shared services, and therefore focus on core activities.

Volumetric study has been performed to identify optimum manpower at each level, bringing the organizational spread closer to global standards. This, combined with the Job Evaluation exercise and Management Audit helped in establishing clear job descriptions for each role and identifying the right talent for the roles.

The Executive Committee conducted a thorough assessment of potential candidates for the top 2/3 levels in the organisation. The assessment results were used for placement of the candidates, which was followed up with 'on boarding' workshops and Astronaut Trainings to prepare the management teams for the new responsibilities.

In order to create a mind-set free of job titles and hierarchy, the concept of designations has been abolished and individuals will carry the title of their functional role. After market benchmarking, revised Compensation & Policies have been rolled-out. The new terms and conditions of employment has been shared with the employees through individual letters by respective managers.

For a smooth transition, a transition team has been developed to lead the change management process, supported by continuous communications from the leadership team.

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 2017, the Company had received four complaints on sexual harassments, which have been substantiated and appropriate actions were taken. The Company organized 137 workshops and 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.

Safety & Health – Performance & Initiatives

The Company is committed to provide a safe and healthy working environment for its employees and associates to ensure a high degree of safety norms. The Company continuously strives to perform beyond compliance whilst positively influencing its value chain members to improve their safety standards. There is an increased focus on areas like training and awareness, safety observations, audits etc. to drive a positive safety culture.

The Company's India operation, whilst achieved improved performance with Total Recordable Case Frequency Rate (TRCFR) being 1.84 against the target of 1.96 for the Fiscal 2017, the overall Safety Performance improved but recorded four fatalities during the year, of which three were road related.

Manufacturing Plants across the country are certified to ISO 14001 - Environment Management Systems and OHSAS 18001 – Occupational Health & Safety Management System, along-with Warehouses Safety Infrastructure upgraded and certification of OHSAS 18001 for a warehouse was also accomplished during Fiscal 2017. All the Company's Manufacturing Plants across India are certified to ISO 50001 - Energy Management System too. The Company has undertaken several initiatives for resource conservation such as re-cycling of treated effluents back to process, energy, material recovery and co-processing from hazardous wastes through cradle

to grave waste management principles and rainwater harvesting. Manufacturing plants also generate in-house renewable power and source off-site green power where available. Except Sanand, all the Company's sites are certified for GreenCo.

The Company places equal emphasis on safety processes, behavioral safety and strive to create a positive safety culture towards achieving the ultimate goal of 'zero injury'. Safety is a primary focus area in daily management and safety parameters are part of the scorecard for Senior Leaders. In same lieu '**SAFE20 - 20 minutes for Safety**,' the company's initiative on engagement in Safety. Sessions on Road Safety were conducted at 9 offices across India engaging tunes of 1,000+ employees along with mentoring of Flexi Work Force under "**MY BUDDY**" program by Permanent Blue Collar Work force / Group leaders.

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

The Company continued Campaign '**i-drive safe**' – an initiative on building a safe driving culture amongst its employee and associates and have trained them in defensive driving. In excess of 19,103 employees and associates till date have been trained under this campaign, initiated few years ago. '**My Road My Discipline**' a Road Safety Week campaign during January 11 to 17 included Road Safety Celebrations conducted in all location including all plants, offices, dealerships, warehouses, vendors and social awareness messages were aired on FM on road safety in Indian 8 cities.

'**senSHETize**'- A Company's initiative on Women's Safety Awareness: 950 women employees were trained with focus on Women's Safety and Self-defense in 14 session across offices & plants.

Jagruiti – Safety Awareness Building Campaign for Workshop Managers is a year-long campaign focused on building awareness on safety and understanding of the Company's expectations on Dealers Workshop Safety. This programme is in collaboration with the Company, Castrol and training partner ICECD. Jagruiti Safety Awareness campaign was initiated done for channel partners-PV & CV dealers covering around 1,800 workshop pan-India.

In health area, the Company under the '**Health Plus because you matter!**' initiative engaged employees on various subject of health. Health & well-being of aging workforce remains a prime concern. Various health programs across all locations with emphasis on contract employees- eye checkup of drivers, stress management, mailers, etc. have been conducted under this initiative.

For Food Safety, Pune Plant was accredited with **HACCP Certification**

(ISO 22001) and rest of the plants shall be implementing in a phased manner.

In accordance with the Company's stand on protecting the planet, the Company took a number of initiatives to reduce its Green House Gases footprint by 3% over Fiscal 2016. Similarly, in the Company's quest to go on renewable energy the Company used 75 million units of renewable electricity in its operations, which is close to 17% of its requirement. On the Company's journey to ZWTL (Zero Waste To Landfill), it reduced hazardous waste to landfill / incineration by approx. 30% over Fiscal 2016.

On Sustainability, supply chain sustainability was one of the major initiatives undertaken. 50 suppliers have been trained and assessed to sustainability expectations. Handholding of those suppliers is being done to improve the sustainability performance.

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

JLR, the Company's subsidiary continues to drive health and safety through **Destination Zero – A Journey to Zero Harm**. The Company's commitment is reflected in the JLR commitment **'Blueprint for Lasting Success'** with the key statement being "Our most valuable asset is our people, nothing is more important than their safety and well-being. Our co-workers and families rely on this commitment. There can be no compromise". Activities to deploy this ambition, promote awareness with each one of at JLR, encouraged to understand and take responsibility for its own and fellow colleague's safety and well-being. Various Zero Harm programs, publications and events have contributed to improved performance in Fiscal 2017 and additionally each functional area has built their own plan of activities to lead improved safety and well-being within their own area of responsibility. Lost Time Case performance has continued an improving trend with an overall business improvement of around 6% Y-O-Y, against a backdrop of continued growth and increased volumes and headcount. A notable improvement was seen in manufacturing locations with over 20% improvement against last Fiscal performance. Many of the sites celebrated zero lost time accidents.

The business has gone through OHSAS 18001 - recertification in Fiscal 2017, with all the UK locations accredited to this standard through a series of external assessments. Further locations have now been added to the assessment portfolio. The business has also maintained the internal safety assessment process SHARP (Safety and Health Assessment Review Process) within its manufacturing locations and has now extended a version into non-manufacturing locations. JLR also continues to mature its approach to well-being activities with a number of targeted events over the past year and specific well-being focus and topics planned for the coming year.

TMSA sustained good performance in areas of Safety and Health

during Fiscal 2017. In June 2016, TMSA successfully cleared audit inspection for Occupational Hygiene against the requirements of the OHSAS.

TDCV Korea achieved an improvement in Safety Index to 0.91 from 1.33 in Fiscal 2017.

TMTL, Thailand continued leadership commitment and engagement with focus in areas safety communication, risk assessment, improving capabilities of employees for emergency situations.

BUSINESS RESPONSIBILITY REPORT

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

FINANCE

During the year, the free cash flows for Tata Motors Group were ₹(268) crores, post spend on capex, design and development of ₹30,467 crores. Tata Motors Group's borrowing as at March 31, 2017, stood at ₹78,604 crores (as at March 31, 2016: ₹69,360 crores). Cash and bank balances and investments in mutual funds stood at ₹51,119 crores (as at March 31, 2016: ₹49,693 crores). The consolidated net automotive debt to equity ratio stood at 0.15 as at March 31, 2017, as compared to (0.01) as at March 31, 2016.

The cash flows from operations were positive ₹1,381 crores for standalone operations (including joint operations) of the Company. Spend on capex, design and development was ₹3,427 (net). The borrowings of the Company (including joint operations) as at March 31, 2017 stood at ₹19,574 crores (as at March 31, 2016: ₹16,473 crores). Cash and bank balances including mutual funds stood at ₹2,687 crores (as at March 31, 2016: ₹2,534 crores).

The Company, in February 2017 prepaid ₹300 crores of its Unsecured 8.60% NCD due in 2018. During the year the Company raised ₹2,700 crores of funds through Unsecured NCDs.

At JLR, post spend on capex, design and development of GB£3,065 million (₹26,869 crores), the free cash flows were GB£295 million (₹2,586 crores) for Fiscal 2017. The borrowings of JLR as at March 31, 2017, stood at GB£3,581 million (₹28,977 crores) [previous year: GB£2,500 million (₹23,863 crores)]. Cash and financial deposits stood at GB£5,487 million (₹44,400 crores) [previous year: GB£4,651 million (₹44,395 crores)]. Additionally, JLR has undrawn committed long term bank lines of GB£1,870 million (JLR data as per IFRS).

During the Fiscal, JLR issued a €650 million bond maturing in 2024 paying an annual coupon of 2.200%. Subsequently, JLR issued a GB£300 million bond maturing in 2021 paying an annual coupon of 2.750%.

During the Fiscal, TMFL has neither raised any borrowings by way of unsecured, subordinated perpetual non-convertible debentures towards Tier 1 and Tier 2 Capital nor by way of an issue of unsecured, subordinated non-convertible debentures towards Tier 2 Capital.

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 upgraded to "Ba1"/Stable by Moody's and to "BB+"/ Stable by Standard & Poor's. For borrowings in the local currency, the ratings was retained by CRISIL at "AA" with a change in outlook to Positive and by ICRA at "AA" with a change in outlook to Positive. The Non-Convertible Debentures and Long Term Bank facilities i.e. (Buyers Credit) rating by CARE was retained at "AA+". During the year, JLR's rating was upgraded by Moody's at "Ba1"/Positive and was upgraded by Standard & Poor's at "BB+". For TMFL, CRISIL has maintained its rating on long-term debt instruments and bank facilities to CRISIL "AA/A1+"/with a change in outlook to Positive for long term. ICRA has also maintained its rating at "AA/A1+" with a change in outlook to Positive for long term. CARE has given rating of "AA+" on long-term debt instruments with a Stable outlook.

FIXED DEPOSITS

The Company has not accepted any public deposits during Fiscal 2017. There were no over dues on account of principal or interest on public deposits other than the unclaimed deposits as at the end of Fiscal 2017.

EXTRACT OF ANNUAL RETURN

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

INFORMATION TECHNOLOGY AND DIGITAL PRODUCT DEVELOPMENT INITIATIVES

Information Technology Initiatives

The Company has been a pioneer in adopting Information Technologies to enable business processes and deploying efficient & secure information technology. The Company has been working towards implementing the components of its IT roadmap to create a digital ready organization. The Company leverages its strong partnerships with product and services companies to harness the potential of Information Technology towards competitive advantage.

The major highlights from IT at the Company are:

- ❖ Major technology upgrades undertaken in the ERP, CRM, analytics systems to make the systems current and leverage new versions' mobile friendly capabilities.
- ❖ Enabling World Class Quality initiative of the Company through extending the implementation of Manufacturing Execution System.

- ❖ Completed multiple Proof of Concepts in the area of internet of things for smart manufacturing.
- ❖ Digital initiatives like mobile backend and smart e-guru mobile app along with digital product demonstration capabilities for dealer's salesforce for effective lead generation.
- ❖ Focus on Supplier Relationship Transformation (SRT) through implementation of supplier systems and inauguration of SRT training centre.
- ❖ Continued greater collaboration with subsidiaries leveraging IT leadership in the Company.
- ❖ Strengthening information security through multiple initiatives such as Network Access Control and preparation for ISO27000 framework.

With the readiness of the Company's systems on the digital front, it is entering an exciting phase of transformation using cutting edge technology to provide customer centric products and services.

Digital Product Development Systems Initiatives

The Company, in its constant endeavor to improve processes in product design and manufacturing planning domain, has implemented various new processes and improved existing manual process by converting them to digital.

Direct business benefits, in terms of reduction in time, effort, cost and improved control, quality were achieved through various initiatives, some of which are listed below:

- ❖ 30 new knowledge based engineering applications designed and implemented across various product design and safety domains. They were integrated with various tools such as tyre life enhancement for heavy commercial vehicles, exterior trims safety for passenger vehicles, ensuring its validation in virtual environment, thereby reducing the number of physical prototypes.
- ❖ Specific Mobility Application developed to enable value based selling at CV dealerships and were deployed at 10 locations across India.
- ❖ Product Lifecycle Management (PLM) System Infrastructure was refreshed at Pantnagar and Lucknow locations.
- ❖ New innovative Visual Analytics and Reporting framework for applications was deployed for PLM based data and 4 specific applications were implemented for product development teams.
- ❖ Augmentation of High Performance Computing (HPC) Infrastructure to execute and deliver faster simulation results for product development (productivity improvement). This enabled more design optimization studies during concept and product development phase (capacity enhancement), thus reducing dependence on costly proto-parts & physical testing.
- ❖ 16 customized automation tools provided into CAE domain to increase CAE pre-post processing productivity for durability, crash, CFD and NVH functions.

- ❖ In the digital manufacturing domain, MOST (Maynard Operations Sequence Technique) was implemented on the shop floor at various manufacturing locations.

Subsidiaries

Jaguar Land Rover:

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

Tata Daewoo Commercial Vehicle:

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

Tata Technologies Limited (TTL):

TTL has invested in new technologies and practices both on software and hardware front with strong focus on its business goals and customer requirements. The digital tools and systems continue to be enhanced and upgraded as per customer needs. It continued its new technology evaluation process to support the delivery teams with effective and optimal hardware systems.

TTL invested to enhance the capacity of the High Performance Computing setup to address growing needs of simulation by augmenting its processing power with latest hardware. It extended the Virtual Desktop Infrastructure setup to support few delivery teams to provide them with scalable infrastructure that caters to their requirements on multiple operating environments and also provide them with flexible and controlled access to it from anywhere. TTL leveraged the high performance and high availability computing for enterprise applications and has invested in latest technologies for data center upgrade.

Tata Motors European Technical Centre (TMETC):

TMETC continued the use of best in class hardware and software systems to enhance quality and agility in its product conceptualization, design and virtual validation domain. Knowledge Based Engineering Applications were implemented in the engineering and design areas.

TECHNOLOGY AND ENVIRONMENT FRIENDLY INITIATIVES:

The Company is aiming towards meeting upcoming emission regulations by multifaceted approach of adapting cleaner technologies for internal combustion engines and by working on new technologies in the domains of xEVs, Hybrids and Fuel Cell. The Company intends to reduce the emissions from vehicles through

various powertrain as well as vehicle level measures. Some of the key initiatives in this direction are mentioned below:

- ❖ Fuel efficiency improvement in diesel SCVs by implementation of fuel control unit based FIE system on twin cylinder turbo diesel engine.
- ❖ Better emission control for SCVs having two cylinder NA common rail BS-IV engine.
- ❖ Multi operation mode (economy & normal torque mode) for better fuel economy & drive ability on commercial vehicles fueled with CNG.
- ❖ Fuel efficiency improvement in diesel passenger car by engine downsizing (30% engine displacement reduction), friction reduction in piston ring pack and implementing multiple drive modes.
- ❖ Various full electric vehicles ranging from SCV to 12m buses are being developed to address last mile transport and passenger commute in ecologically sensitive areas.
- ❖ Series hybrid bus with New Gen 5L BS-IV diesel engine developed and serialized; the vehicle has substantially superior fuel economy over baseline diesel vehicle.
- ❖ The fleet of Fuel Cell bus for demonstration is being built, and two fuel cell buses are under testing.

CONSOLIDATED FINANCIAL STATEMENT

The Company announces its Consolidated Financial Statement on a quarterly basis. As required under the SEBI Listing Regulations, the Consolidated Financial Statement of the Company and its subsidiaries, prepared in accordance with Ind AS 110 issued by the Institute of Chartered Accountants of India, form part of the Annual Report and are reflected in the Consolidated Financial Statement of the Company. Pursuant to Section 129(3) of the Act, a statement containing the salient features of the financial statement of the subsidiary companies is attached to the financial statement 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 statement 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 statement of the Company, Consolidated Financial Statement along with relevant documents and separate audited accounts in respect of subsidiaries are available on the website of the Company.

SUBSIDIARY, JOINT VENTURES AND ASSOCIATE COMPANIES

The Company has 78 subsidiaries (14 direct and 64 indirect) as at March 31, 2017, as disclosed in the accounts.

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

Subsidiary companies formed/acquired:

- ❖ Jaguar Land Rover Colombia S.A.S was incorporated with effect from August 22, 2016
- ❖ InMotion Ventures 1 Limited was incorporated with effect from October 25, 2016
- ❖ InMotion Ventures 2 Limited was incorporated with effect from October 25, 2016
- ❖ InMotion Ventures 3 Limited was incorporated with effect from October 25, 2016

Companies ceasing to be subsidiary companies / ceased operations:

- ❖ JDHT Limited dissolved with effect from December 27, 2016
- ❖ Silkplan Limited dissolved with effect from January 17, 2017
- ❖ Tata Technologies (Canada) Inc. dissolved with effect from December 13, 2016

Name changes

- ❖ Jaguar Land Rover Automotive Trading (Shanghai) Company Limited was renamed as Jaguar Land Rover (China) Investment Co. Limited with effect from November 1, 2016
- ❖ Cambric Manufacturing Technologies (Shanghai) Company Limited was renamed Tata Manufacturing Technologies (Shanghai) Limited with effect from February 22, 2017

Re-structuring

The Scheme of Arrangement between Tata Motors Finance Limited and Sheba Properties Limited, subsidiaries of the Company, was approved by the Hon'ble National Company Law Tribunal effective from May 9, 2017. Besides the above, JLR continued to integrate / restructure legal entities for manufacturing and for exporting globally as combined brand legal entities. Other than the above, there has been no material change in the nature of the business of the subsidiary companies.

Associate Companies

As at March 31, 2017, the Company has 8 associate companies and 7 joint ventures. One of these joint ventures has 14 wholly owned subsidiaries and details of the same are disclosed in the accounts.

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section

134(3)(m) of the Act, read along with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed as **Annexure - 2**.

CORPORATE GOVERNANCE

At the Company we constantly strive to evolve and follow up on the Corporate Governance guidelines and best practices. Our purpose has always been transparency, long term shareholder value and respect to the minority shareholders. The Company discloses timely and accurate information regarding its operations and performance.

During the second half of the year under review the Company witnessed leadership change at Tata Sons (our promoter). During this period there were allegations made regarding the ethics and governance of the Company. Clarifications were also sought by the Regulators with respect to certain business decisions and governance processes. The Company would like to categorically deny the references and would like to impress upon you that it has robust systems and processes in place to ensure compliance to all regulatory requirements. The Company's Board exercises its independence both in letter and in spirit. The Directors have always acted in the best interest of the Company and will continue to do so.

The Board closely monitored the events during this period and allegations made. The Audit Committee of the Board reviewed all the issues that were brought up including correspondence between the Regulators and the Company on the issues raised in the representations made by Mr Cyrus P Mistry and Mr Nusli Wadia in terms of Section 169 of the Act and allegations made in this regard in the proceedings before the National Company Law Tribunal initiated against our Promoter. The Company has filed responses to the Regulators denying all such allegations. In such responses, the Company has reiterated that the Company is in compliance of the governance processes and requirements in all such cases. The Committee reviewed the various compliances and disclosures and the rigour applied when strategic decisions were taken and the detailed responses to the Regulators by the Company denying such allegations. After due deliberations with relevant officials and review of relevant documents and on the basis of a detailed review of these by a reputed independent Legal Counsel, the Committee expressed its confirmation of the responses by the Company to the Regulators. It follows that the aforesaid allegations against your Company and its governance were incorrect and such statements were made without exercising proper care.

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

DIRECTORS

Appointment

The Company has, on the recommendation of Nomination & Remuneration Committee (NRC) and in accordance with provisions of the Act and SEBI Listing Regulations, appointed Mr Natarajan Chandrasekaran (DIN:00121863) as Additional Director and Chairman of the Board with effect from January 17, 2017 and Mr Om Prakash Bhatt (DIN: 00548091) was appointed as Additional and Independent Director, for a tenure of 5 years on May 9, 2017, subject to approval of Members at the forth coming Annual General Meeting (AGM) of the Company. They shall hold office as Additional Directors upto the date of the AGM and are eligible for appointment as Directors.

As reported in the previous year, Mr Guenter Butschek was appointed as Chief Executive Officer and Managing Director of the Company for a term of 5 years w.e.f. February 15, 2016. The Members have vide Special Resolution passed at the AGM held on August 9, 2016 approved of the said appointment and payment of minimum remuneration in case of inadequacy of profits or no profits in any financial year. An application to the Central Government has been filed by the Company and the approval is awaited.

Re-appointment

In accordance with provisions of the Act and the Articles of Association of the Company, Dr Ralf Speth (DIN: 03318908) is liable to retire by rotation and is eligible for re-appointment.

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 the SEBI Listing Regulations is disclosed in the Corporate Governance Report, forming part of the Annual Report.

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

Cessation

Mr Cyrus P Mistry, Non-Executive Director and Chairman, (DIN: 00010178) (resigned with effect from December 19, 2016. Based on the requisition of Tata Sons Limited, the shareholders at the Extraordinary General Meeting of the Company held on December 22, 2016 voted in favour of removal of Mr N N Wadia as an Independent Director (DIN: 00015731) Mr Wadia ceased to be a Director of the Company with effect from December 22, 2016.

Mr Subodh Bhargava, Independent Director, (DIN: 00035672) retired on March 29, 2017 on attaining the age of 75 years, in accordance with Governance Guidelines on Board Effectiveness.

The Board places on record their appreciation for the contribution of these Directors during their tenure.

Independent Directors

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

KEY MANAGERIAL PERSONNEL

The Key Managerial Personnel (KMPs) of the Company during Fiscal 2017 are:

- ❖ Mr Guenter Butschek, Chief Executive Officer and Managing Director
- ❖ 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

During the year, there was no change in the KMPs of the Company.

GOVERNANCE GUIDELINES

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

Selection and procedure for nomination and appointment of Directors

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

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

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

The NRC has formulated the criteria for determining qualifications,

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

REMUNERATION POLICY

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

BOARD EVALUATION

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

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

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

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The details of the Familiarisation Programme for Independent Directors with the Company in respect of their roles, rights, responsibilities in the Company, nature of the industry in which Company operates, business model of the Company and related matters are put up on

the website of the Company at ([URL:www.tatamotors.com/investors/pdf/familiarisation-programme-independent-directors.pdf](http://www.tatamotors.com/investors/pdf/familiarisation-programme-independent-directors.pdf)).

VIGIL MECHANISM

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

PARTICULARS OF EMPLOYEES

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

The statement containing particulars of top 10 employees and the employees drawing remuneration in excess of limits prescribed under Section 197 (12) of the Act read with Rule 5 (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate Annexure forming part of the Report. In terms of proviso to Section 136(1) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. The said statement is also open for inspection at the Registered Office of the Company. Any member interested in obtaining a copy of the same may write to the Company Secretary.

CORPORATE SOCIAL RESPONSIBILITY 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 - 6** of this Report in the format prescribed in the Companies (CSR Policy) Rules, 2014. The Policy is available on Company's web-site at ([URL: www.tatamotors.com/investors/pdf/csr-policy-23july14.pdf](http://www.tatamotors.com/investors/pdf/csr-policy-23july14.pdf)).

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE COMPANY

The details of Loans, Guarantees or Investments made during Fiscal 2017 are given below:

Companies	Nature of Transaction	₹ in crores	
		Loans	Investments
Tata Marcopolo Motors Limited	Inter-corporate deposits	10.00	-
Tata Motors European Technical Centre Plc	Investment in loans/ shares	34.39	139.08
Concorde Motors India Limited	Compulsory Convertible Debentures with a call option to TML	--	\$

Notes:

\$ Concorde Motors has issued CCD of ₹78 crores to TMFL. The call option is available with the Company to acquire the CCDs from TMFL.

- During Fiscal 2017, the Company has given no Guarantee to any of its subsidiaries, joint ventures and associate companies

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

A statement on related party transactions specifying the details of the transactions, pursuant to each omnibus approval granted, have been placed on a quarterly basis for review by the Audit Committee. During the Fiscal 2017, there have been no related party transactions of the Company with its Directors and Key Managerial Personnel or their relatives, its holding, subsidiary or associate companies as prescribed under Section 188 of the Act and SEBI Listing Regulations. Also there are no material transactions with any related party that are required to be disclosed under **Form AOC-2**.

AUDIT

Statutory Audit

In the 69th Annual General Meeting held on July 31, 2014, M/s. Deloitte Haskins & Sells LLP, (DHS), Chartered Accountants (ICAI Firm

Registration No. 117366W/W-100018) was re-appointed as Statutory Auditors of the Company for a tenure of 3 year, subject to ratification of their appointment by Members at every subsequent AGM. DHS tenure of 3 year as Statutory Auditors concludes at this ensuing AGM.

The report of the Statutory Auditors is enclosed to this Report and contains no qualification, reservation or adverse remark. The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

The Board of Director of the Company has on the recommendation of the Audit Committee and a per Section 139 of the Act it is proposed to appoint M/s B S R & Co. LLP, Chartered Accountants (B S R LLP) (ICAI Firm No. 101248W/W – 100022) for a tenure of 5 year, to hold office from the conclusion of the ensuing AGM till the conclusion of the 78th AGM of the Company to be held in the year 2022, subject to ratification of their appointment at every subsequent AGM, at such remuneration as approved by the Members at this AGM. Further, B S R LLP have under Section 139(1) of the Act and the Rules framed thereunder, furnished a certificate of their eligibility and consent for appointment.

The Board commend to seek consent of its Members on appointment of BSR LLP as Statutory Auditors for tenure of 5 year, to examine and audit the accounts of the Company during the said period.

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 Directors of the Company has on the recommendation of the Audit Committee, approved the appointment of M/s Mani & Co., a firm of Cost Accountants in Practice (Registration No.000004) as the Cost Auditors of the Company to conduct cost audits pertaining to relevant products prescribed under the Companies (Cost Records and Audit) Rules, 2014 for the year ending March 31, 2018. The Board of Director on recommendation of the Audit Committee approved remuneration of ₹5 lakhs plus out of pocket expenses, subject to ratification of their remuneration by the Members at the forthcoming AGM.

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

M/s Mani & Co., have vast experience in the field of cost audit and have conducted the audit of the cost records of the Company for the past several years 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 Board of Directors on recommendation of the Audit Committee appointed M/s Parikh & Associates, a firm of

Company Secretaries in Practice to conduct the Secretarial Audit of the Company for the year ended March 31, 2017. The Report of the Secretarial Audit is annexed herewith as **Annexure- 7**.

The Board provides clarification on Auditor's observation(s) contained in the Report:

- a) the Company has provided adequate responses on queries / observations raised by the Central Government and their approval is awaited.
- b) As at March 31, 2017, NRC had recommended to the Board appointment of Mr Om Prakash Bhatt, as Additional and Independent Director. The Board considered the recommendation of NRC and appointed Mr O P Bhatt as Additional and Independent Director on May 9, 2017.

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 2017.

Accordingly, pursuant to Section 134(5) of the Act, the Board of Directors, 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 loss 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 operating effectively*; and
- (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".

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

N CHANDRASEKARAN

Chairman

(DIN: 00121863)

Mumbai,
May 23, 2017