Risk management

Navigating headwinds with confidence

At Tata Motors, we monitor the external environment to capitalise on emerging opportunities and proactively undertake measures to mitigate associated risks. We have established a robust risk governance framework that not only evaluates the nature of risks, but also dynamically assesses their likelihood and significance on our value creation abilities.

Principal risks	Description	Consequences	Mitigations and opportunities
COVID-19 PANDEMIC, MANUFACTURING OPERATIONS AND GLOBAL ECONOMIC CONDITIONS Type of risk **STRATEGIC** Capitals impacted	We are exposed to changes in the global economic and geopolitical risks, as well as other factors such as wars, terrorism, natural disasters, humanitarian challenges and pandemics. There is still uncertainty around COVID-19 pandemic, with several countries witnessing subsequent waves and more importantly, India witnessing a major resurgence of COVID-19 cases.	Our international presence and global sales profile means that our business could be significantly impacted by changes in the external environment, globally or locally. Any disruptions to our manufacturing operations and losses in vehicle production could result in delays to both retailer and customer delivery, and potential delays or loss of revenue through loss of sales.	We continue to closely monitor and risk assess global developments, and maintain a balanced sales profile across our key sales regions. We ensure our manufacturing sites are COVID-19 safe; implement preventative measures and drive on-site testing and vaccinations. The shift towards new technologies, electrification and economic recovery post COVID-19 pandemic create strong opportunities.
SUPPLY CHAIN DISRUPTIONS Type of risk **OPERATIONAL** Capitals impacted	Our ability to supply components to our manufacturing operations at the required time is of importance in achieving production schedules and meeting consumer demand. Our supply chain could be severely disrupted as a result of external shocks, industry specific and company factors in the future.	Supply chain disruptions if not managed, could have adverse effect on satisfaction and reputation. Increasing commodity prices, especially in the recent past, pose significant challenges. In addition to the disruption caused by the pandemic, supply constraints of semi-conductors has impacted the automotive sector globally and we are also witnessing certain disruptions.	We operate an effective supply chain risk management framework which enables proactive engagement with our suppliers to diagnose and mitigating potential disruptions. We work closely with our suppliers to define inventory maintenance norms, build safety stocks, explore localisation and alternative sources, among others. We are mitigating semiconductor risk by engaging with suppliers, aligning production, altering designs and changing product configurations. JLR's Refocus transformation programme focuses specifically on its supply chain to enhance the efficiency of launching its models to market.

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MANAGING GROWTH STRATEGY AND DELIVERING ON COMPETITIVE BUSINESS EFFICIENCY Type of risk **FINANCIAL** Capitals impacted	Delivering on our business and achieving Turnaround and Sustainable transformation is key to sustaining profitable and cash accretive growth. Furthermore, there are inherent risks to the successful implementation of the recently announced Reimagine strategy for JLR, including the launch of Jaguar as a BEV only brand, the significant ramp up of Land Rover BEVs as well as the migration to new architectures.	If we are unable to deliver these objectives, our ability to achieve our financial targets may limit our capability to invest and fund future products and technologies. Any uncertainties that materially compromise the achievement of our objectives could unfavourably impact our operational and financial performance	With Turnaround 2.0, we intend to drive towards competitive, consistent and cash-accretive growth. We also plan significantly deleverage group and achieve net zero auto debt in three years. TML achieved cash and cost savings of ₹ 9,300 crore against targets of ₹ 6,000 crore in FY 21. Project Charge and Project Charge+ delivered £6b of cost and cash savings for JLR since FY 19. The Refocus programme aims to enhance business efficiency and underpins the delivery of JLR's Reimagine strategy.
INTENSIFYING COMPETITION AND BRAND POSITIONING Type of risk **STRATEGIC** Capitals impacted	Brand positioning is becoming increasingly challenging in a dynamic automotive market with more intense competition from existing OEMs and new disruptive entrants.	Our potential inability to successfully position, maintain and articulate the strength of our brands as well as failing to develop new products/ technologies that meet customer preferences, suffering delayed product launches, or not being able to sufficiently invest in brand building, could impact demand for our products.	With key new launches across TML and JLR, we are reinforcing our brand strategy and making focused investments to set industry benchmarks. In addition, we regularly monitor the perception of our brands to quickly identify and address uncertainties that may arise. Jaguar is emerging as an all-electric brand from 2025 targeting a more luxurious segment of the market. The significant increase in the electrification of Land Rover products should enable the brand to capitalise on the fast growing BEV segment.
INNOVATION AND RAPID TECHNOLOGY CHANGE Type of risk **STRATEGIC** Capitals impacted	Our future success depends on our ability to stay attuned to evolving automotive trends and to satisfy changing customer demands by offering innovative products in a timely manner and maintaining product competitiveness and quality.	Delays in the launch of technologically intensive products, or the relative obsolescence of existing technology in our products could impact sales as customers may choose to purchase products from competitors and/or the sale of our products could be prohibited in certain markets.	We continue to invest in R&D and to prioritise the development of technology-enabled platforms and feature delivery. We engage with relevant industry partners and government agencies to support the efficient delivery of our products and cutting-edge technologies. Increasing partnerships and collaborations with the Tata Group and other companies is a key aspect of our strategy.

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Risk management Contd.

Principal risks	Description	Consequences	Mitigations and opportunities
DISTRIBUTIONAL CHANNELS AND RETAILER NETWORK Type of risk **OPERATIONAL** Capitals impacted	Sales and service performance directly impacts the satisfaction and retention of existing customers and the attraction of new customers. In addition, inadequate sales and service performance could negatively impact the reputation of our brands.	Failure to deliver superior sales service through our retailer channels will lead to a weakening in our competitive advantage potentially impacting our business and financial performance. COVID-19 has and continues to impact our retailer network with new lockdown measures causing or likely to cause showroom closures and such external shocks could similarly impact our distribution network in the future	Market and retailer demand is closely monitored in order to optimise production, sales and inventory. We engage closely with dealers on several fronts to ensure dealer profitability, health and providing support. We have launched the click to drive platform for online sales and integrated all dealers on this platform. JLR is enabling its retailers drive online sales with 'click and deliver' services through lockdowns.
ENVIRONMENTAL REGULATIONS AND COMPLIANCE Type of risk **LEGAL & COMPLIANCE** Capitals impacted	We are subject to a rapidly evolving regulatory landscape with associated laws, regulations and policies that all impact the production facilities and vehicles we produce. The transition away from traditional fossil fuels to more renewable energy sources and the increasing pace of that transition creates particular compliance challenges, in particular tailpipe emissions for automotive companies and wider compliance requirements for carbon emissions produced during manufacturing and other operations.	We may incur additional compliance costs to avoid facing significant civil and regulatory penalties, and our competitors may gain an advantage by adopting new emissions-reducing and fuel-efficient technologies before we do. Furthermore, we may incur significant reputational damage, which could materially impact our brands and sales, if we fail to maintain and improve our environmental, social and governance practices.	Sustainability is being brought to the centre of our business strategy. As a responsible business and being part of the Tata Group, TML is committed to significantly reduce its GHG emissions to ultimately achieve net zero emissions. TML is one of the front runners in the EV industry today. JLR has significantly expanded electrification across its model range. Furthermore, JLR continues to target lower carbon emissions at its sites and has achieved carbon neutral certification by the Carbon Trust. JLR launched its Reimagine Strategy, which clearly lays out electrification roadmap and JLR aims to achieve net zero carbon emissions across its supply chain, products and operations by 2039.
CREDIT RATING AND LIQUIDITY RISKS Type of risk **FINANCIAL** Capitals impacted	Credit rating agencies continually review the assigned ratings and these ratings may be subject to revision, suspension or withdrawal by the agency at any time. Maintaining adequate liquidity is critical to our business for running day-to-day operations and servicing our short-term obligations.	A downgrade in our credit rating may negatively affect our ability to obtain financing and may also increase our financing costs. The COVID-19 pandemic may continue to increase pressure on liquidity of the Group and its subsidiaries.	We routinely engage with credit agencies. Significant efforts have been made to shore up liquidity. We have sufficient liquidity to meet the unprecedented challenges. Strong operational performance and cash and cost savings initiatives resulted in reduction in net auto debt by ₹ 7,300 crore in FY 21.

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WRITE-OFFS, IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS Type of risk **FINANCIAL** Capitals impacted	Designing, manufacturing and selling vehicles requires substantial investments in tangible and intangible assets. Due to market challenges, our growth strategy may not materialise and investments made do not yield the intended results or certain projects may have to be discontinued.	If the carrying amount of tangible and intangible assets exceeds their recoverable value, it could have a material adverse effect on our financial condition and the results of operations.	Focused action plans including Reimagine and Refocus for JLR and Turnaround 2.0 for TML aim at improving operational, financial performance and achieving sustainable transformation. We have taken steps towards rationalisation of capital expenditure and we critically monitor our capex plans.
IT SYSTEMS AND SECURITY Type of risk **OPERATIONAL** Capitals impacted	As a global enterprise with leading brands and a strong reputation, we are an attractive target for cyber criminals. Information technology is at the heart of our business, safeguarding our information assets and maintaining privacy and reducing human risk are paramount.	Failing to safeguard personal data could result in regulatory censure, fines with consequential reputational and financial damage. Cyber attacks could compromise or significantly disrupt our core capabilities to deliver products for our customers, and In some cases, compromise the safety of our customers and colleagues.	Information risk and security are managed strategically, through a security programme and roadmap. This is recalibrated periodically. The programme includes key themes: strengthening security culture to reduce human information risk; proactive and robust cyber defence; supply chain security assurance; maintaining rigorous controls and managing enterprise information risks to acceptable levels.
HUMAN, CAPITAL Type of risk **OPERATIONAL** Capitals impacted	Our business requires an engaged workforce with core capabilities in new and emerging skill areas and a collaborative and innovative culture for our transformation to be successful.	If we fail to develop new skills and capabilities in our workforce and attract key talent, our business will lose the ability to remain flexible in a dynamic automotive industry.	A key aspect of the Turnaround 2.0 and Refocus transformation programme is to develop an agile, capable organisation and culture to support the business. Under a more efficient, focused target operating model our workforce will help drive this transformation by leveraging our digital capability and solutions.

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