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As at July 2018 (through July 30, 2018), the value of the Indian rupee against the U.S. dollar was Rs 68.68 per US\$1.00, as published by Bloomberg L.P.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

This section describes the risks that we currently believe may materially affect our business, financial condition and results of operations. The factors below should be considered in connection with any forward-looking statements in this annual report on Form 20-F and the cautionary statements on page ii. Although we will be making reasonable efforts to mitigate or minimize these risks, one or more of a combination of these risks could materially and adversely impact our business, revenues, sales, net assets, financial condition, results of operations, liquidity, capital resources and prospects.

**Risks Associated with Our Business and the Automotive Industry**

*Deterioration in global economic conditions could have a material adverse impact on our sales and results of operations.*

The Indian automotive industry could be affected materially by the general economic conditions in India and around the world. The automotive industry, in general, is cyclical, and economic slowdowns in the recent past have affected the manufacturing sector in India, including automotive and related industries. Deterioration of key economic metrics, such as the growth rate, interest rates and inflation, reduced availability of financing for vehicles at competitive rates, implementation of burdensome environmental and tax policies and increase in freight rates and fuel prices could materially and adversely affect our automotive sales and results of operations.

In addition, investors' reactions to economic developments or a loss of investor confidence in the financial systems of other countries may cause volatility in Indian financial markets and, indirectly, in the Indian economy. Any worldwide financial instability, including increased protectionist measures and withdrawal from trade pacts by countries in which we operate, could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. In the event global economic recovery is slower than expected, or if there is any significant financial disruption, this could have a material adverse effect on our cost of funding, portfolio of financing loans, business, prospects, results of operations, financial condition and the trading price of our Shares and ADSs.

Our Jaguar Land Rover business has significant operations in the United Kingdom, North America, continental Europe and China as well as sales operations in markets across the globe. Conditions in automotive markets were generally more challenging in Fiscal 2018 with industry volumes down significantly year-on-year in the United Kingdom (11%) reflecting a sharp decline in diesel-based vehicle sales (26.2%), and down slightly in the US (1.1%), but up modestly in China 1.3% and in Europe 3.8%. Conditions remained challenging in emerging markets such as Brazil, Russia and South Africa. Jaguar Land Rover's growth plans may not quite materialize as expected which could have a significant adverse impact on our financial performance. If automotive demand softens because of lower or negative economic growth in key markets or due to other factors, Jaguar Land Rover's operations and financial condition could be materially and adversely affected as a result. In addition, the current U.S. presidential administration could seek to introduce changes to laws and policies governing international trade and impose additional tariffs and duties on foreign vehicle imports, which could have a material adverse effect on Jaguar Land Rover's sales in the United States.

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Deterioration in key economic factors, such as those mentioned above, in countries where Jaguar Land Rover has sales operations may result in a decrease in demand for Jaguar Land Rover automobiles. A decrease in demand would, in turn, cause automobile prices and manufacturing capacity utilization rates to fall. Such circumstances have in the past materially affected, and could in the future, materially affect, our business, results of operations and financial condition.

***The United Kingdom's contemplated exit from the European Union may adversely impact our business, results of operations and financial condition.***

In a non-binding referendum on the United Kingdom's membership in the European Union in June 2016, a majority of the electorate voted for the United Kingdom's withdrawal from the European Union. Pursuant to its invocation of Article 50 of the Lisbon Treaty, the United Kingdom is currently negotiating its exit from the European Union. Substantial uncertainty remains regarding the outcome of the negotiations, the United Kingdom's future relationship with the European Union, the economic and political future of the United Kingdom, the legal structure applicable to companies doing business in the United Kingdom as well as the scope and duration of a transitional period, if any, following the expiration of the Article 50 period in December 2020. This uncertainty, along with any real or perceived impact of Brexit, could have a material adverse effect on our business, results of operations and financial condition.

Depending on the outcome of the negotiations, the United Kingdom could lose its present rights or terms of access to the single European Union market and European Union customs area and to the global trade deals negotiated by the European Union on behalf of its members. New or modified trading arrangements between the United Kingdom and other countries may have a material adverse effect on our business. A decline in trade could also affect the attractiveness of the United Kingdom as a global investment center and, as a result, could have a detrimental impact on the level of investment in United Kingdom companies, including our Jaguar Land Rover business. Customer behavior may change as a result of global economic uncertainty, which may cause Jaguar Land Rover's customers to re-evaluate when and to what extent they are willing to spend on our products and services. The uncertainty concerning the terms of Brexit could also have a negative impact on the growth of the United Kingdom economy and cause greater volatility in the British pound against foreign currencies in which Jaguar Land Rover conducts business, particularly the U.S. dollar, the Euro and the Chinese yuan.

There also exists significant uncertainty with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate. This uncertainty may adversely affect business activity and economic conditions in the United Kingdom and the Eurozone. In particular, changes in taxes, tariffs and other fiscal policies could have a significant impact on Jaguar Land Rover business; 21.7% of its retail sales volume in Fiscal 2018 were to customers based in the European Union (excluding the United Kingdom) and a substantial portion of its suppliers are situated there. The economic outlook could be further adversely affected by the risk of a greater push for independence by Scotland or Northern Ireland or the risk that the Euro as the single currency of the European Union could cease to exist. Changes to the United Kingdom's border and immigration policy could likewise occur as a result of Brexit, affecting our business's ability to recruit and retain employees from outside the United Kingdom. Any of the foregoing factors and other factors relating to Brexit that we cannot predict may have a material adverse effect on our business, results of operations and financial condition.

***Intensifying competition could materially and adversely affect our sales, financial condition and results of operations.***

The global automotive industry is highly competitive and competition is likely to further intensify in light of continuing globalization and consolidation. Competition is especially likely to increase in the premium automotive categories as each market participant intensifies its efforts to retain its position in established markets while also expanding in emerging markets, such as China, India, Russia, Brazil and parts of Asia. Factors affecting competition include product quality and features, innovation and the development time for introduction of new products, cost control, pricing, reliability, safety, fuel economy, environmental impact and perception thereof, customer service and financing terms. Some of our competitors based in the European Union may gain a competitive advantage that would enable them to benefit from their access to the European Union single market post-Brexit. There can be no assurance that we will be able to compete successfully in the global automotive industry in the future.

We also face strong competition in the Indian market from domestic and foreign automobile manufacturers. Improving infrastructure and growth prospects, compared to those of other mature markets, have attracted a number of international companies to India either through joint ventures with local partners or through independently owned operations in India. International competitors bring with them decades of international experience, global scale, advanced technology and significant financial resources. Consequently, domestic competition is likely to further intensify in the future. There can be no assurance that we will be able to implement our future strategies in a way that will mitigate the effects of increased competition on the Indian automotive industry.

Designing, manufacturing and selling vehicles is capital intensive and requires substantial investments in manufacturing, machinery, research and development, product design, engineering, technology and marketing in order to meet both consumer preferences and regulatory requirements. If our competitors consolidate or enter into other strategic agreements such as alliances, they may be able to take better advantage of economies of scale. We believe that competitors may be able to benefit from the cost savings offered by consolidation or alliances, which could adversely affect our competitiveness with respect to those competitors. Competitors could use consolidation or alliances as a means of enhancing their competitiveness (including through the acquisition of technology), which could also materially adversely affect our business. Further, our growth strategy relies on the expansion of our operations in less mature markets abroad, where we may face significant competition and higher than expected costs to enter and establish ourselves.

*The electric vehicle market may not evolve as anticipated.*

We intend to develop electric vehicles as more car manufacturers consider various opportunities to expand their electric vehicle product range and stringent emissions norms push OEMs increasingly in the direction of adopting zero emissions technology. However, sales of electric vehicles are hard to predict as consumer demand may fail to shift in favor of electric vehicles and this market segment may remain small relative to the overall market for years to come. Consumers may remain reluctant to adopt electric vehicles due to the lack of fully developed charging infrastructure or long charging times. If the value proposition of electric vehicles fails to fully materialize, this could have a material adverse effect on our financial condition or results of operations.

*If we are unable to effectively implement or manage our growth strategy, our operating results and financial condition could be materially and adversely affected.*

As part of our growth strategy, we may open new manufacturing, research or engineering facilities, expand existing facilities, add additional product lines or expand our businesses into new geographical markets. There is a range of risks inherent in such a strategy that could adversely affect our ability to achieve these objectives, including, but not limited to, the following: the potential disruption of our business; the uncertainty that new product lines will generate anticipated sales; the uncertainty that we may not be able to meet or anticipate consumer demand; the uncertainty that a new business will achieve anticipated operating results; the diversion of resources and management's time; our cost reduction efforts, which may not be successful; the difficulty of managing the operations of a larger company; and the difficulty of competing for growth opportunities with companies having greater financial resources than we have.

More specifically, our international businesses face a range of risks and challenges, including, but not limited to, the following: language barriers, cultural differences, difficulties in staffing and managing overseas operations, inherent difficulties and delays in contract enforcement and the collection of receivables under the legal systems of foreign countries, the risk of non-tariff barriers, regulatory and legal requirements affecting our ability to enter new markets through joint ventures with local entities, difficulties in obtaining regulatory approvals, environmental permits and other similar types of governmental consents, difficulties in negotiating effective contracts, obtaining the necessary facility sites or marketing outlets or securing essential local financing, liquidity, trade financing or cash management facilities, export and import restrictions, multiple tax regimes (including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments from subsidiaries), foreign investment restrictions, foreign exchange controls and restrictions on repatriation of funds, other restrictions on foreign trade or investment sanctions, and the burdens of complying with a wide variety of foreign laws and regulations. Furthermore, as part of our global activities, as we may engage with third-party dealers and distributors, whom we do not control but who could nevertheless take actions that could have a material adverse impact on our reputation and business; we cannot assure you that we will not be held responsible for any activities undertaken by such third parties. If we are unable to manage risks related to our expansion and growth in other parts of the world and therefore fail to establish a strong presence in those higher growth markets, our business, results of operations and financial condition could be adversely affected or our investments could be lost.

Furthermore, we are subject to risks associated with growing our business through mergers and acquisitions. We believe that our acquisitions provide us opportunities to grow significantly in the global automobile markets by offering premium brands and products. Our acquisitions have provided us with access to technology and additional capabilities while also offering potential synergies. However, the scale, scope and nature of the integration required in connection with our acquisitions present significant challenges, and we may be unable to integrate the relevant subsidiaries, divisions and facilities effectively within our expected schedule. An acquisition may not meet our expectations and the realization of the anticipated benefits may be blocked, delayed or reduced as a result of numerous factors, some of which are outside our control.

For example, we acquired the Jaguar Land Rover business from Ford in June 2008, and since then Jaguar Land Rover has become a significant part of our business, accounting for 76.8% of our total revenues in Fiscal 2018. As a result of the acquisition, we are responsible for, among other things, the obligations and liabilities associated with the legacy business of Jaguar Land Rover. There can be no assurances that any legacy issues at Jaguar Land Rover or any other acquisition we have undertaken in the past or will undertake in the future would not have a material adverse effect on our business, financial condition and results of operations, as well as our reputation and prospects.

We will continue to evaluate growth opportunities through suitable mergers and acquisitions in the future. Growth through mergers and acquisitions involves business risks, including unforeseen contingent risks or latent business liabilities that may only become apparent after the merger or acquisition is completed. The key success factors are seamless integration, effective management of the merged and/or acquired entity, retention of key personnel, cash flow generation from synergies in engineering and sourcing, joint sales and marketing efforts, and management of a larger business. If any of these factors fails to materialize or if we are unable to manage any of the associated risks successfully, our business, financial condition and results of operations could be materially and adversely affected.

***Our future success depends on our ability to satisfy changing customer demands by offering innovative products in a timely manner and maintaining such products' competitiveness and quality.***

Customer preferences, especially in many of the more mature markets, have trended towards smaller and more fuel-efficient and environmentally-friendly vehicles. Climate change concerns, increases in fuel prices, certain government regulations (such as CO<sub>2</sub> emissions limits and higher taxes on SUVs) and the promotion of new technologies encourages customers to look beyond standard purchasing factors (such as price, design, performance, brand image and features) to differentiation of the technology used in the vehicle or the manufacturer or provider of this technology. Such consumer preferences could materially affect our ability to sell premium passenger cars and large or medium-sized all-terrain vehicles at current or targeted volume levels, and could have a material adverse effect on our general business activity, net assets, financial position and results of operations.

Our operations may be significantly impacted if we fail to develop, or experience delays in developing, fuel-efficient vehicles that reflect changing customer preferences and meet the specific requirements of government regulations. Our competitors may gain significant advantages if they are able to offer products satisfying customer needs earlier than we are able to, which could adversely impact our sales, results of operations and financial condition. Delays or cost overruns in implementing new product launches, expansion plans or capacity enhancements could also materially and adversely impact our financial condition and results of operations.

As a result of the public discourse on climate change and volatile fuel prices, we face more stringent government regulations, including imposition of speed limits and higher taxes on sports utility vehicles or premium automobiles. We endeavor to take account of these factors, and we are focused on researching, developing and producing new drive technologies, such as hybrid engines and electric cars. We are also investing in development programs to reduce fuel consumption through the use of lightweight materials, reducing parasitic losses through the driveline and improving aerodynamics. Coupled with consumer preferences, a failure to achieve our planned objectives or delays in developing fuel efficient products could materially affect our ability to sell premium passenger cars and large or medium-sized all-terrain vehicles at current or targeted volumes and could have a material adverse effect on our general business activity, net assets, financial position and results of operations. In addition, deterioration in the quality of our vehicles could force us to incur substantial costs and damage our reputation. There is a risk that competitors or joint ventures set up by competitors will develop better solutions and will be able to manufacture the resulting products more rapidly, in larger quantities, with a higher quality and/or at a lower cost. It is possible that we could then be compelled to make new investments in researching and developing other technologies to maintain our existing market share or to win back the market share lost to competitors. Finally, our manufacturing operations and sales may be subject to potential physical impacts of climate change, including changes in weather patterns and an increased potential for extreme weather events, which could affect the manufacture and distribution of our products and the cost and availability of raw materials and components.

Private and commercial users of transportation increasingly use modes of transportation other than the automobile. The reasons for this include the rising costs of automotive transport, increasing traffic density in major cities and environmental awareness. Furthermore, the increased use of car-sharing concepts and other innovative mobility initiatives facilitates access to other methods of transport, thereby reducing dependency on private automobiles. Furthermore, non-traditional market participants and/or unexpected disruptive innovations may eliminate dependency on the private automobile altogether. A shift in consumer preferences away from private automobiles would have a material adverse effect on our general business activity and on our sales, prospects, financial condition and results of operations.

To stimulate demand, competitors in the automotive industry have offered customers and dealers price reductions on vehicles and services, which has led to increased price pressures and sharpened competition within the industry. As a provider of numerous high-volume models, our profitability and cash flows are significantly affected by the risk of rising competitive price pressures. Special sales incentives and increased price pressures in the new car business also influence price levels in the used car market, with a negative effect on vehicle resale values. This could have a negative impact on the profitability of the used car business in our dealer organization.

There can be no assurance that our new models will meet our sales expectations, in which case we may be unable to realize the intended economic benefits of our investments, which would in turn materially affect our business, results of operations and financial condition. In addition, there is a risk that our quality standards can be maintained only by incurring substantial costs for monitoring and quality assurance. For our customers, one of the determining factors in purchasing our vehicles is the high quality of the products. A decrease in the quality of our vehicles (or if the public were to have the impression that such a decrease in quality had occurred) could damage our image and reputation as a premium automobile manufacturer and in turn materially affect our business, results of operations and financial condition.

In addition, product development cycles can be lengthy, and there is no assurance that new designs will lead to revenues from vehicle sales, or that we will be able to accurately forecast demand for our vehicles, potentially leading to inefficient use of our production capacity. Additionally, our high proportion of fixed costs, due to our significant investment in property, plant and equipment, further exacerbates the risks associated with incorrectly assessing demand for our vehicles.

***We are more vulnerable to reduced demand for premium performance cars and all-terrain vehicles than automobile manufacturers with a more diversified product range.***

Jaguar Land Rover operates in the premium performance car and all-terrain vehicle segments, which are very specific segments of the premium passenger car market, and it has a more limited range of models than some of its competitors. Accordingly, its performance is linked to market conditions and consumer demand in those market segments. Furthermore, some other premium performance vehicle manufacturers operate in a relatively broader spectrum of market segments, which makes them comparatively less vulnerable to reduced demand for any specific segment. Any downturn or reduction in the demand for premium passenger cars and all-terrain vehicles, or any reduced demand for Jaguar Land Rover's most popular models in the geographic markets in which it operates could have a substantial adverse effect on its performance and earnings.

***We are subject to risks associated with product liability, warranty and recall.***

We are subject to risks and costs associated with product liability, warranties and recalls in connection with performance, compliance or safety-related issues affecting our products which may, in turn, cause our customers to question the safety or reliability of our vehicles and thus result in a materially adverse effect on our business, impacting our reputation, results from operations and financial condition. Such events could also require us to expend considerable resources to remediate, and we may also be subject to class actions or other large-scale product liability or other lawsuits in various jurisdictions where we conduct business. In May 2016, an industry-wide passenger airbag safety recall was announced in the United States by the National Highway Traffic System Administration or NHTSA, in respect of airbags from Takata Corporation or Takata, a supplier of airbags. Certain front-passenger airbags supplied by Takata were installed in vehicles sold by Jaguar Land Rover. The Company considered the cost associated with the recall and recognized an additional provision of GBP67.4 million for the estimated cost of repairs in our income statement for Fiscal 2016. We expect to utilize the provision over the next one to four years as the mandated repairing are fulfilled.

Furthermore, we may also be subject to class actions or other large-scale product liability or other lawsuits in various jurisdictions in which we have a significant presence. The use of shared components in vehicle production increases this risk because individual components are deployed in a number of different models across our brands. Any costs incurred or lost sales caused by product liability, warranties and recalls could materially adversely affect our business.

***We are exposed to the risks of new drive and other technologies being developed and the resulting effects on the automobile market.***

Over the past few years, the global market for automobiles, particularly in established markets, has been characterized by increasing demand for more environmentally-friendly vehicles and technologies. This is related, in particular, to the public debate on global warming and climate protection. We endeavor to take account of climate protection and the ever more-stringent laws and regulations that have been and are likely to be adopted. We are focusing on researching, developing and producing new drive technologies, such as hybrid engines and electric cars. Jaguar Land Rover is also investing in development programs to reduce fuel consumption through the use of lightweight materials, reducing parasitic losses through the driveline and improvements in aerodynamics. Recently, several jurisdictions, such as Norway, Germany, the United Kingdom, France, the Netherlands, India and China, have announced the intention to eliminate the sale of conventionally fueled vehicles in their markets in the coming decades.

Diesel technologies have also become the focus of legislators in the United States and European Union as a result of emissions levels. This has led various carmakers to announce programs to retrofit diesel vehicles with software that will allow them to reduce emissions which may require us to undertake increased R&D spending. There is a risk that these R&D activities, including retrofit software upgrades, will not achieve their planned objectives or that competitors or joint ventures set up by competitors will develop better solutions and will be able to manufacture the resulting products more rapidly, in larger quantities, with a higher quality and/or at a lower cost. This could lead to increased demand for the products of such competitors and result in a loss of market share for us. There is also a risk that the money invested in researching and developing new technologies, including autonomous, connected and electrification technologies, or money invested in mobility solutions to overcome and address future travel and transport challenges, will, to a considerable extent, have been spent in vain, because the technologies developed or the products derived therefrom are unsuccessful in the market or because competitors have developed better or less expensive products. It is possible that we could then be compelled to make new investments in researching and developing other technologies to maintain its existing market share or to win back the market share lost to competitors.

In addition, climate change concerns and the promotion of new technologies encourages customers to look beyond standard factors (such as price, design, performance, brand image or comfort/features) to differentiation of the technology used in the vehicle or the manufacturer or provider of this technology. This could lead to shifts in demand and the value-added parameters in the automotive industry at the expense of our products.

***Our competitors may be able to benefit from the cost savings offered by industry consolidation or alliances.***

As part of our growth strategy, it may open new manufacturing, research or engineering facilities, expand existing facilities, add additional product lines or expand our businesses into new geographical markets. There is a range of risks inherent in such a strategy that could adversely affect the Company's ability to achieve these objectives, including, but not limited to, the following: the potential disruption of the our business; the uncertainty that new product lines will generate anticipated sales; the uncertainty that it may not be able to meet or anticipate consumer demand; the uncertainty that a new business will achieve anticipated operating results; the diversion of resources and management's time; our cost reduction efforts may not be successful; the difficulty of managing the operations of a larger company; and the difficulty of competing for growth opportunities with companies having greater financial resources than we have.

***Any disruption in the supply of automobile components could have a material adverse impact on our results of operations.***

Adverse economic conditions, a decline in automobile demand and lack of access to sufficient financing arrangements, among others, could have a negative financial impact on our suppliers, thereby impairing timely availability of components to us or causing increase in the costs of components. In addition, if one or more of the other global automotive manufacturers were to become insolvent, this would have an adverse effect on our supply chains and may have a material adverse effect on our results of operations.

We have also entered into supply agreements with Ford and certain other third parties for critical components and remain reliant upon Ford and the Ford-PSA joint venture for a portion of our engines. However, following the launch of the Engine Manufacturing Centre (EMC) in Wolverhampton, we now also manufacture our own "in-house" engines. We may not be able to manufacture certain types of engines or find a suitable replacement supplier in a timely manner in the event of any disruption in the supply of engines, or parts of engines, and other hardware or services provided to us by Ford or the Ford-PSA joint venture and such disruption could have a material adverse impact on our operations, business and/or financial condition.

A change in requirements under long-term supply arrangements committing Jaguar Land Rover to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller, could have a material adverse impact on our financial condition or results of operations. We have entered into a number of long-term supply contracts that require Jaguar Land Rover to purchase a fixed quantity of parts to be used in the production of Jaguar Land Rover vehicles (e.g., "take-or-pay" contracts). If the need for any of these parts were to lessen, Jaguar Land Rover could still be required to purchase a specified quantity of the part or pay a minimum amount to the seller pursuant to the take-or-pay contract, which could have a substantial adverse effect on our financial condition or results of operations.

***Increases in input prices may have a material adverse effect on our results of operations.***

In Fiscal 2018 and 2017, the consumption of raw materials, components aggregates and purchase of products for sale (including changes in inventory) constituted 64.4% and 62.5%, respectively, of our revenues. Prices of commodity items used in manufacturing automobiles, including steel, aluminum, copper, zinc, rubber, platinum, palladium and rhodium, have become increasingly volatile in recent years. Further price movements depend on the evolving economic scenarios across the globe. Most of these inputs are priced in U.S. dollars on international markets. While we continue to pursue cost reduction initiatives, an increase in price of input materials could severely impact our profitability to the extent such increase cannot be absorbed by the market through price increases and/or could also have a negative impact on demand.

In addition, an increased price and supply risk could arise from the need for rare and frequently sought-after raw materials for which demand is high, such as rare earth metals, which are predominantly found in China. Rare earth metal prices and supply remain uncertain. In the past, China has limited the export of rare earths from time to time. Due to intense price competition and our high level of fixed costs, we may not be able to adequately address changes in commodity prices even if they are foreseeable. Increases in fuel costs also pose a significant challenge, especially in the commercial and premium vehicle categories where increased fuel prices have an impact on demand. If we are unable to find substitutes for supplies of raw materials or pass price increases on to customers, or to safeguard the supply of scarce raw materials, our vehicle production, business, financial condition and results of operations could be materially and adversely affected. We are also exposed to supply chain risks relating to lithium-ion cells which are critical for our electric vehicle production. Any disruption in the supply of battery cells from such suppliers could disrupt production of our vehicles. The severity of this risk is likely to increase as we and other manufacturers increase electric vehicle production.

We manage these risks through the use of fixed supply contracts with tenor up to 12 months and the use of financial derivatives pursuant to a defined hedging policy. We enter into a variety of foreign currency, interest rates and commodity forward contracts and options to manage our exposure to fluctuations in foreign exchange rates, interest rates and commodity price risk. These financial exposures are managed in accordance with our risk management policies and procedures. We use foreign currency forward and option contracts to hedge risks associated with foreign currency fluctuations relating to highly probable forecast transactions. We also enter into interest rate swaps and interest rate currency swap agreements, mainly to manage exposure on our fixed rate or variable rate debt. We further use interest rate derivatives or currency swaps to hedge exposure to exchange rate fluctuations on principal and interest payments for borrowings denominated in foreign currencies. Specific transactional risks include risks like liquidity and pricing risks, interest rate and exchange rate fluctuation risks, volatility risks, counterparty risks, settlement risks and gearing risks. However, the hedging transactions may not adequately protect us against these risks. In addition, if markets move adversely, we may incur financial losses on such hedging transactions, the financial condition and results of operations may be adversely impacted.

***Any inability to implement our growth strategy by entering new markets may adversely affect our results of operations.***

Our growth strategy relies on the expansion of our operations in emerging markets such as ASEAN, SAARC Latin American countries, north and west Africa as well as other parts of the world which feature higher growth potential than many of the more mature automotive markets in developed countries. The costs associated with entering and establishing ourselves in new markets, and expanding such operations may, however, be higher than expected, and we may face significant competition in those regions. In addition, our international business faces a range of risks and challenges, including language barriers, cultural differences, difficulties in staffing and managing overseas operations, inherent difficulties and delays in contract enforcement and the collection of receivables under the legal systems of foreign countries, the risk of non-tariff barriers, regulatory and legal requirements affecting our ability to enter new markets through joint ventures with local entities, difficulties in obtaining regulatory approvals, environmental permits and other similar types of governmental consents, difficulties in negotiating effective contracts, obtaining the necessary facility sites or marketing outlets or securing essential local financing, liquidity, trade financing or cash management facilities, export and import restrictions, multiple tax regimes (including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments from subsidiaries), foreign investment restrictions (including restrictions on incentives offered by foreign governments for investment in their jurisdictions), foreign exchange controls and restrictions on repatriation of funds, other restrictions on foreign trade or investment sanctions, and the burdens of complying with a wide variety of foreign laws and regulations. If we are unable to manage risks related to our expansion and growth in other parts of the world and therefore fail to establish a strong presence in those higher growth markets, our business, results of operations and financial condition could be adversely affected or our investments could be lost.

***A significant reliance on key markets by both TML and Jaguar Land Rover increases the risk of negative impact of reduced customer demand in those countries.***

TML and Jaguar Land Rover rely on the United Kingdom, Chinese, North American, continental European, Indian and other overseas markets. Any decline in demand for our and Jaguar Land Rover's vehicles in these major markets may in the future significantly impair our and Jaguar Land Rover's business, financial position and results of operations. Further, decreased demand for our and Jaguar Land Rover's products may not be sufficiently mitigated by new product launches and expansion into growing markets, which could have a significant adverse impact on our and Jaguar Land Rover's financial performance.

***We are exposed to liquidity risks.***

Our main sources of liquidity are cash generated from operations, existing notes, external debt in the form of factoring discount facilities and other revolving credit facilities. However, adverse changes in the global economic and financial environment may result in lower consumer demand for vehicles, and prevailing conditions in credit markets may adversely affect both consumer demand and the cost and availability of finance for our business and operations. If the global economy goes back into recession and consumer demand for our vehicles drops, as a result of higher oil prices, excessive public debt or for any other reasons, and the supply of external financing becomes limited, we may again face significant liquidity risks. See Item 5. "Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Loan Covenants."

We are also subject to various types of restrictions or impediments on the ability of our companies in certain countries to transfer cash across our companies through loans or interim dividends. These restrictions or impediments are caused by exchange controls, withholding taxes on dividends and distributions and other similar restrictions in the markets in which we operate. The cash in some of these jurisdictions is subject to certain restrictions on cash pooling, intercompany loan arrangements or interim dividends.



***Changes in our credit rating could adversely affect the value of our debt securities, finance costs and our ability to obtain future financing***

Any credit ratings assigned to us or our debt securities may not reflect the potential impact of all risks related to structure, market, additional risk factors discussed and other factors that may affect the value of our debt securities. A credit rating is not a recommendation to buy, sell or hold securities. Credit rating agencies continually review the ratings they have assigned and their ratings may be subject to revision, suspension or withdrawal by the rating agency at any time. A downgrade in our credit rating may negatively affect our ability to obtain future financing to fund our operations and capital needs, which may affect our liquidity. It may also increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur additional debt.

***Exchange rate and interest rate fluctuations could materially and adversely affect our financial condition and results of operations.***

Our and Jaguar Land Rover's operations are subject to risks arising from fluctuations in exchange rates with reference to countries in which we operate. We import capital equipment, raw materials and components from, manufacture vehicles in, and sell vehicles into, various countries, and therefore, our revenues and costs have significant exposure to the relative movements of the GBP, the U.S. dollar, the Euro, the Russian Ruble, the Chinese Renminbi, the Singapore dollar, the Japanese Yen, the Australian dollar, the South African rand, the Thai baht, the Korean won and the Indian rupee. With respect to Jaguar Land Rover, the United Kingdom's exit from the European Union could also have a negative impact on the growth of the United Kingdom economy and cause greater volatility in the GBP. This could directly impact our sales volumes and financial results, as we derive the majority of our revenues from overseas markets and source significant levels of raw materials and components from Europe, which may result in a decrease in profits to the extent non-GBP costs are not fully mitigated by non-GBP sales. The pound sterling appreciated significantly relative to the Indian rupee and U.S. dollar in Fiscal 2018. As published by Bloomberg L.P., the exchange rate as at March 31, 2017 expressed in Indian rupees per GBP1.00, was Rs.80.92 compared to Rs.91.60 as at March 31, 2018 and Rs.90.03 as at June 30, 2018 and the rate expressed in US\$ per GBP1.00, was US\$1.25 as at March 31, 2017 compared to US\$1.40 as at March 31, 2018 and US\$1.32 as at June 30, 2018.

Moreover, we have outstanding foreign currency-denominated debt and are sensitive to fluctuations in foreign currency exchange rates. We have experienced and could in the future experience foreign exchange losses on obligations denominated in foreign currencies in respect of our borrowings and foreign currency assets and liabilities due to currency fluctuations.

We are exposed to changes in interest rates, as we have both interest-bearing assets (including cash balances) and interest-bearing liabilities, which bear interest at variable rates. Although we engage in managing our interest and foreign exchange exposure through use of financial hedging instruments, such as forward contracts, swap agreements and option contracts, higher interest rates and a weakening of the Indian rupee against major foreign currencies could significantly increase our cost of borrowing, which could have a material adverse effect on our financial condition, results of operations and liquidity. Please see note 35(d)(i) - (b) to our consolidated financial statements included elsewhere in this annual report on Form 20-F for further detail on our exposure to fluctuations in interest rates.

Appropriate hedging lines for the type of risk exposures we are subject to may not be available at a reasonable cost, particularly during volatile rate movements, or at all. Moreover, there are risks associated with the use of such hedging instruments. While hedging instruments may mitigate our exposure to fluctuations in currency exchange rates to a certain extent, we potentially forego benefits that might result from market fluctuations in currency exposures. These hedging transactions can also result in substantial losses. Such losses could occur under various circumstances, including, without limitation, any circumstances in which a counterparty does not perform its obligations under the applicable hedging arrangement (despite having International Swaps and Derivatives Association (ISDA) agreements in place with each of our hedging counterparties), there are currency fluctuations, the arrangement is imperfect or ineffective, or our internal hedging policies and procedures are not followed or do not work as planned. In addition, because our potential obligations under the financial hedging instruments are marked to market, we may experience quarterly and annual volatility in our operating results and cash flows attributable to our financial hedging activities.

***A decline in retail customers' purchasing power or consumer confidence or in corporate customers' financial condition and willingness to invest could materially and adversely affect our business.***

Demand for vehicles for personal use generally depends on consumers' net purchasing power, their confidence in future economic developments and changes in fashion and trends, while demand for vehicles for commercial use by corporate customers (including fleet customers) primarily depends on the customers' financial condition, their willingness to invest (motivated by expected future business prospects) and available financing. A decrease in potential customers' disposable income or their financial flexibility or an increase in the cost of financing will generally have a negative impact on demand for our products. A weak macroeconomic environment, combined with restrictive lending and a low level of consumer sentiment generally, may reduce consumers' net purchasing power and lead existing and potential customers to refrain from purchasing a new vehicle, to defer a purchase further or to purchase a smaller model with less equipment at a lower price. A deteriorating macroeconomic environment may disproportionately reduce demand for luxury vehicles. It also leads to reluctance by corporate customers to invest in vehicles for commercial use and/or to lease vehicles, resulting in a postponement of fleet renewal contracts.

To stimulate demand, the automotive industry has offered customers and dealers price reductions on vehicles and services, which has led to increased price pressures and sharpened competition within the industry. As a provider of numerous high-volume models, our profitability and cash flows are significantly affected by the risk of rising competitive and price pressures.

Special sales incentives and increased price pressures in the new car business also influence price levels in the used car market, with a negative effect on vehicle resale values. This may have a negative impact on the profitability of the used car business in our dealer organization.

***We are subject to risks associated with the automobile financing business.***

The sale of our commercial and passenger vehicles is heavily dependent on funding availability for our customers. Rising delinquencies and early defaults have contributed to a reduction in automobile financing, which, in turn, has had an adverse effect on funding availability for potential customers. This reduction in available financing may continue in the future and have a material adverse effect on our business, financial condition and results of operations.

Default by our customers or inability to repay installments as due could materially and adversely affect our business, financial condition, results of operations and cash flows. In addition, any downgrade in our credit ratings may increase our borrowing costs and restrict our access to the debt markets. Over time, and particularly in the event of any credit rating downgrade, market volatility, market disruption, regulatory changes or otherwise, we may need to reduce the amount of financing receivables we originate, which could severely disrupt our ability to support the sale of our vehicles.

Jaguar Land Rover has consumer finance arrangements in place with Lloyds Black Horse in the United Kingdom, FCA Bank S.p.A. in European markets and Chase Auto Finance in North America and has similar arrangements with local providers in a number of other key markets. Any reduction in the supply of available consumer financing for the purchase of new vehicles or an increase in the cost thereof would make it more difficult for some of its customers to purchase its vehicles, which could put Jaguar Land Rover under commercial pressure to offer new (or expand existing) retail or dealer incentives to maintain demand for its vehicles, thereby materially and adversely affecting our sales and results of operations. For example, during the global financial crisis, several providers of customer finance reduced their supply of consumer financing for the purchase of new vehicles. Additionally, base interest rates in developed economies are at historic lows. An increase in interest rates due to tightening monetary policy or for any other reason would result in increased costs for consumers.

Furthermore, Jaguar Land Rover offers residual value guarantees on the purchase of certain leases in some markets. The value of these guarantees is dependent on used car valuations in those markets at the end of the lease, which is subject to change. Consequently, we may be adversely affected by movements in used car valuations in these markets.

***Underperformance of our suppliers and distribution channels could have a material adverse effect on our sales and results of operations.***

We rely on third parties for sourcing raw materials, parts and components used in the manufacture of our products. At the local level, we are exposed to reliance on smaller enterprises where the risk of insolvency is greater. Furthermore, for some parts and components, we are dependent on a single source. Our ability to procure supplies in a cost-effective and timely manner or at all is subject to various factors, some of which are not within our control. For instance, the outcome of the Brexit negotiations could lead to reduced access to the European Union single market and to the global trade deals negotiated by the European Union on behalf of its members, which could affect the imports of raw materials, parts and components and disrupt Jaguar Land Rover supplies. Furthermore, there is the risk that manufacturing capacity does not meet, or exceeds, sales demand thereby compromising business performance and without any near term remedy given the time frames and investments required for any change. While we manage our supply chain as part of our supplier management process, any significant problems with our supply chain or shortages of essential raw materials in the future could affect our results of operations in an adverse manner.

Our products are sold and serviced through a network of authorized dealers and service centers across India and through a network of distributors and local dealers in international markets. We monitor the performance of our dealers and distributors and provide them with support to enable them to perform to our expectations. There can be no assurance, however, that our expectations will be met. Any underperformance by or a deterioration in the financial condition of our dealers or distributors could materially and adversely affect our sales and results of operations.

If dealers or importers encounter financial difficulties and our products and services cannot be sold or can be sold only in limited numbers, this would have a direct effect on the sales of such dealers and importers. Additionally, if we cannot replace the affected dealers or importers with other franchises, the financial difficulties experienced by such dealers or importers could have an indirect effect on our vehicle deliveries.

Consequently, we could be compelled to provide additional support for dealers and importers and, under certain circumstances, may even take over their obligations to customers, which would adversely affect our financial position and results of operations in the short term.

***Deterioration in the performance of any of our subsidiaries, joint ventures and affiliates could materially and adversely affect our results of operations.***

We have made and may continue to make capital commitments to our subsidiaries, joint ventures and affiliates, and if the business or operations of any of these subsidiaries, joint ventures and affiliates deteriorates, the value of our investments may decline substantially. Operating a business as a joint venture often requires additional organizational formalities and a requirement of information sharing. We are also subject to risks associated with joint ventures and affiliates wherein we retain only partial or joint control. Our partners may be unable, or unwilling, to fulfill their obligations, or the strategies of our joint ventures or affiliates may not be implemented successfully, any of which may significantly reduce the value of our investments or relationship with the co-owner may be deteriorated, and, which could, in turn, have a material adverse effect on our reputation, business, financial position or results of operations.

***We may be adversely impacted by political instability, wars, terrorism, multinational conflicts, countries resorting to protectionism, natural disasters, fuel shortages/prices, epidemics and labor strikes.***

Our products are exported to a number of geographical markets and we plan to further expand our international operations in the future. For example, we have manufacturing facilities and design and engineering centers in India, the United Kingdom, China, South Korea, Thailand, South Africa, Brazil and Indonesia. Consequently, our operations in markets abroad may be subject to political instability, wars, terrorism, regional or multinational conflicts, natural disasters and extreme weather, fuel shortages, epidemics and labor strikes. Any disruption of the operations of our manufacturing, design, engineering, sales, corporate and other facilities could materially and adversely affect our business, financial condition and results of operations. If any of these events were to occur, there can be no assurance that we would be able to shift our manufacturing, design, engineering, sales, corporate and other operations to alternate sites in a timely manner or at all. In addition, conducting business internationally, especially in emerging markets, exposes us to additional risks, including adverse changes in economic and government policies, unpredictable shifts in regulation, inconsistent application of existing laws, applicability of retrospective taxes, sanctions programs, unclear regulatory and taxation systems and divergent commercial and employment practices and procedures. Any deterioration in international relations, especially between India and its neighboring countries, may result in investor concern regarding regional stability. Any significant or prolonged disruption or delay in our operations related to these risks could materially and adversely affect our business, financial condition and results of operations.

Terrorist attacks, civil disturbances, regional conflicts and other acts of violence, particularly in India, may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability. India has from time to time experienced social and civil unrest and hostilities and adverse social, economic or political events, including terrorist attacks and local civil disturbances, riots and armed conflict with neighboring countries. Events of this nature in the future could influence the Indian economy and could have a material adverse effect on our business, as well as the market for securities of Indian companies, including our Shares and ADSs. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have a material adverse effect on our business, results of operations and financial condition, and also the market price of our Shares and ADSs.

We are vulnerable to supply chain disruptions resulting from natural disasters or man-made accidents. For example, on August 12, 2015, there was an explosion in the city port of Tianjin, one of three major ports in China through which we import our vehicles. Approximately 5,800 of our vehicles were stored at various locations in Tianjin at the time of the explosion, and, as a result, we recognized an exceptional charge of GBP245 million in the three months ended September 30, 2015. Subsequently, GBP274 million of net insurance proceeds and other recoveries have been received till March 31, 2018, including GBP35 million related to other costs associated with Tianjin including lost and discounted vehicle revenue. A significant delay or sustained interruption in the supply of key inputs sourced from areas affected by disasters or accidents could materially and adversely affect our ability to maintain our current and expected levels of production, and therefore negatively affect our revenues and increase our operating expenses.

We are a global organization, and are therefore vulnerable to shifts in global trade and economic policies and outlook. Policies that result in countries withdrawing from trade pacts, increasing protectionism and undermining free trade could substantially affect our ability to operate as a global business. In particular, the current U.S. presidential administration could seek to introduce changes to laws and policies governing international trade and impose additional tariffs and duties on foreign vehicle imports, which could have a material adverse effect on our sales in the United States. Additionally, negative sentiments towards foreign companies among our overseas customers and employees could adversely affect our sales as well as our ability to hire and retain talented people. A negative shift in either policies or sentiment with respect to global trade and foreign businesses could have a material adverse effect on our business, results of operations and financial condition.

***Our business is seasonal in nature and a substantial decrease in our sales during certain quarters could have a material adverse impact on our financial performance.***

The sales volumes and prices for our vehicles are influenced by the cyclicity and seasonality of demand for these products. The automotive industry has been cyclical in the past, and we expect this cyclicity to continue.

In the Indian market, demand for our vehicles generally peaks between January and March, although there is a decrease in demand in February just before release of the Indian fiscal budget. Demand is usually lean from April to July and picks up again in the festival season from September onwards, with a decline in December due to year-end as customers defer purchases to the new year.

Our Jaguar Land Rover business is impacted by the bi-annual registration of vehicles in the United Kingdom where the vehicle registration number changes every March and September, which leads to an increase in sales during these months, and, in turn, has an impact on the resale value of vehicles. This leads to an increase in sales during the period when the aforementioned change occurs. Most other markets, such as the United States, are influenced by the introduction of new-model-year products, which typically occurs in the autumn of each year. Furthermore, in the United States, there is some seasonality in the purchasing pattern of vehicles in the northern states for Jaguar when there is a concentration of vehicle sales in the spring and summer months and for Land Rover, where the trend for purchasing 4x4 vehicles is concentrated in the autumn and winter months. Markets in China tend to experience higher demand for vehicles around the Lunar New Year holiday in either January or February, the Chinese National Day holiday and the Golden Week holiday in October. In addition, demand in Western European automotive markets tends to be softer during the summer and winter holidays. Jaguar Land Rover's cash flows are impacted by the temporary shutdown of four of their manufacturing plants in the United Kingdom (including the Engine Manufacturing Centre at Wolverhampton) during the summer and winter holidays. Sales in the automotive industry have been cyclical in the past and we expect this cyclicity to continue.

***Restrictive covenants in our financing agreements could limit our operations and financial flexibility and materially and adversely impact our financial condition, results of operations and prospects.***

Some of our financing agreements and debt arrangements set limits on and/or require us to obtain lender consent before, among other things, pledging assets as security. In addition, certain financial covenants may limit our ability to borrow additional funds or to incur additional liens. In the past, we have been able to obtain required lender consent for such activities. However, there can be no assurance that we will be able to obtain such consents in the future. If our liquidity needs or growth plans require such consents and such consents are not obtained, we may be forced to forego or alter our plans, which could materially and adversely affect our results of operations and financial condition.

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In the event we breach these covenants, the outstanding amounts due under such financing agreements could become due and payable immediately and/or result in increased costs. A default under one of these financing agreements may also result in cross-defaults under other financing agreements and result in the outstanding amounts under such other financing agreements becoming due and payable immediately. Defaults under one or more of our financing agreements could have a material adverse effect on our financial condition and results of operations.

***We rely on licensing arrangements with Tata Sons Limited to use the “Tata” brand. Any improper use of the associated trademarks by our licensor or any other third parties could materially and adversely affect our business, financial condition and results of operations.***

Our rights to our trade names and trademarks are a crucial factor in marketing our products. Establishment of the “Tata” word mark and logo mark in and outside India is material to our operations. We have licensed the use of the “Tata” brand from our Promoter, Tata Sons Limited, or Tata Sons. If Tata Sons, or any of its subsidiaries or affiliated entities, or any third party uses the trade name “Tata” in ways that adversely affect such trade name or trademark, our reputation could suffer damage, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

***Inability to protect or preserve our intellectual property could materially and adversely affect our business, financial condition and results of operations.***

We own or otherwise have rights in respect of a number of patents relating to the products we manufacture. In connection with the design and engineering of new vehicles and the enhancement of existing models, we seek to regularly develop new intellectual property. We also use technical designs, which are the intellectual property of third parties with such third parties’ consent. These patents and trademarks have been of value in the growth of our business and may continue to be of value in the future. Although we do not regard any of our businesses as being dependent upon any single patent or related group of patents, an inability to protect this intellectual property generally, or the illegal breach of some or a large group of our intellectual property rights, would have a material adverse effect on our business, financial condition and results of operations. We may also be affected by restrictions on the use of intellectual property rights held by third parties and we may be held legally liable for the infringement of the intellectual property rights of others in our products.

***Impairment of intangible assets may have a material adverse effect on our results of operations.***

Designing, manufacturing and selling vehicles is capital intensive and requires substantial investments in intangible assets such as research and development, product design and engineering technology. We review the value of our intangible assets to assess on an annual basis whether the carrying amount matches the recoverable amount for the asset concerned based on underlying cash-generating units. We may have to take an impairment loss as at a current balance sheet date or future balance sheet date, if the carrying amount exceeds the recoverable amount, which could have a material adverse effect on our financial condition and the results of operations.

***We may be adversely affected by labor unrest.***

All of our permanent employees in India, other than officers and managers, and most of our permanent employees in South Korea and the United Kingdom, including certain officers and managers, in relation to our automotive business, are members of labor unions and are covered by our wage agreements, where applicable, with those labor unions.

In general, we consider our labor relations with all of our employees to be good. However, in the future we may be subject to labor unrest, which may delay or disrupt our operations in the affected regions, including the acquisition of raw materials and parts, the manufacture, sales and distribution of products and the provision of services. If work stoppages or lock-outs at our facilities or at the facilities of our major vendors occur or continue for a long period of time, our business, financial condition and results of operations may be materially and adversely affected. During Fiscal 2018, we faced two standalone incidents of labor unrest in India, one at our Jamshedpur plant and the other at our Sanand plant. Although these particular issues were amicably resolved, there is no assurance that additional labor issues could not occur, or that any future labor issues will be amicably resolved.

***Our business and prospects could suffer if we lose one or more key personnel or if we are unable to attract and retain our employees.***

Our business and future growth depend largely on the skills of our workforce, including executives and officers, and automotive designers and engineers. The loss of the services of one or more of our personnel could impair our ability to implement our business strategy. In view of intense competition, any inability to continue to attract, retain and motivate our workforce could materially and adversely affect our business, financial condition, results of operations and prospects.

***Future pension obligations may prove more costly than currently anticipated and the market value of assets in our pension plans could decline.***

We provide post-retirement and pension benefits to our employees, including defined benefit plans. Our pension liabilities are generally funded. However, lower returns on pension fund assets, changes in market conditions, interest rates or inflation rates, and adverse changes in other critical actuarial assumptions, may impact our pension liabilities or assets and consequently increase funding requirements, which could materially decrease our net income and cash flows. Jaguar Land Rover provides post-retirement and pension benefits to its employees, some of which are defined benefit plans. As part of Jaguar Land Rover's Strategic Business Review process, it closed the Jaguar Land Rover defined benefit pension plan to new joiners as at April 19, 2010. All new Jaguar Land Rover employees from April 19, 2010 join a new defined contribution pension plan. Under the arrangements with the trustees of the defined benefit pension schemes, an actuarial valuation of the assets and liabilities of the schemes is undertaken every three years. The most recent valuation, as at April 2015, indicated a shortfall in the assets of the schemes as at that date, versus the actuarially determined liabilities as at that date of £789 million (compared to £702 million as at April 2012). The 2018 valuation process is underway and will be completed during 2019. As at March 31, 2018, Jaguar Land Rover's UK defined benefit pension accounted deficit had decreased to £438 million, as compared to £1,461 million as at March 31, 2017. This decrease was primarily due to Jaguar Land Rover approving and communicating, on April 3, 2017, its defined benefit schemes' members that the defined benefit schemes' rules were to be amended with effect from April 6, 2017 so that, among other changes, retirement benefits will be calculated on a career average basis rather than based upon a member's final salary at retirement. As a result of the remeasurement of the schemes' liabilities, a past service credit of £437 million has arisen and has been recognized in Fiscal 2018.

Lower return on pension fund assets, changes in market conditions, changes in interest rates, changes in inflation rates and adverse changes in other critical actuarial assumptions, may impact our pension liabilities or assets and consequently increase funding requirements, which will adversely affect our financial condition and results of operations.

***We are exposed to operational risks, including cybersecurity risks, in connection with our use of information technology.***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes, among other things, losses that are caused by a lack of controls within internal procedures, violation of internal policies by employees, disruption or malfunction of IT systems, computer networks and telecommunications systems, mechanical or equipment failures, human error, natural disasters, security breaches or malicious acts by third parties (including, for example, hackers). We are generally exposed to risks in the field of information technology, since unauthorized access to or misuse of data processed on our IT systems, human errors associated therewith or technological failures of any kind could disrupt our operations, including the manufacturing, design and engineering processes. In particular, as vehicles become more technologically advanced and connected to the internet, our vehicles may become more susceptible to unauthorized access to their systems. Like any other business with complex manufacturing, research, procurement, sales and marketing and financing operations, we are exposed to a variety of operational risks and, if the protection measures put in place prove insufficient, our results of operations and financial condition can be materially adversely affected. In addition, we would likely experience negative press and reputational impacts.

***Some of our vehicles will make use of lithium-ion battery cells, which have been observed in some non-automotive applications to catch fire or vent smoke and flames, and such events have raised concerns, and future events may lead to additional concerns, about the batteries used in automotive applications.***

The battery packs that we use in our electric vehicles make use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. While we have designed the battery pack to passively contain any single cell's release of energy without spreading to neighboring cells, there can be no assurance that a field or testing failure of our vehicles will not occur, which could subject us to lawsuits, product recalls, redesign efforts and/or serious reputational harm, all of which would be time consuming and expensive. Negative public perceptions regarding the suitability of lithium-ion cells for automotive applications, or any future incident involving lithium-ion cells such as a vehicle fire, even if such incident does not involve our vehicles, could seriously harm our business. In addition, we store a significant number of lithium-ion cells at our manufacturing facilities. Any mishandling of battery cells may cause disruption to the operation of our facilities. While we have implemented safety procedures related to the handling of the cells, there can be no assurance that a safety issue related to the cells would not disrupt our operations. Such damage or injury could lead to adverse publicity, manufacturing issues and potentially a safety recall. Moreover, any failure of a competitor's electric vehicle may cause indirect adverse publicity for our electric vehicle products. All of the above issues could harm our business, prospects, financial condition and operating results.

***We may be materially and adversely affected by the divulgence of confidential information.***

Although we have implemented policies and procedures to protect confidential information, such as key contractual provisions, future projects, financial information and customer records, such information may be divulged, including as a result of internal leaks, hacking, other threats from cyberspace or other factors. If this occurs, we could be subject to claims by affected parties, negative publicity and loss of proprietary information, all of which could have an adverse and material impact on our reputation, business, financial condition, results of operations and cash flows.

***Any failures or weaknesses in our internal controls could materially and adversely affect our financial condition and results of operations.***

As discussed in Item 15, “Controls and Procedures,” upon an evaluation of the effectiveness of the design and operation of our internal controls, we concluded that there was a material weakness such that our internal controls over financial reporting were not effective as at March 31, 2018. Although we have instituted remedial measures to address the material weakness identified and continually review and evaluate our internal control systems to allow management to report on the sufficiency of our internal controls, we cannot assure you that we will not discover additional weaknesses in our internal controls over financial reporting. Further, management continually improves, simplifies and rationalizes the Company’s internal control framework where possible within the constraints of existing IT systems. However, any additional weaknesses or failure to adequately remediate the existing weakness could materially and adversely affect our financial condition or results of operations.

***Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business, financial condition and results of operations.***

While we believe that the insurance coverage we maintain is reasonably adequate to cover all normal risks associated with the operation of our business, there can be no assurance that our insurance coverage will be sufficient, that any claim under our insurance policies will be honored fully or in a timely manner, or that our insurance premiums will not increase substantially. There can be no assurance that any claim under our insurance policies will be honored fully or timely, our insurance coverage will be sufficient in any respect or our insurance premiums will not change substantially. Accordingly, to the extent that we suffer loss or damage that is not covered by insurance or that exceeds our insurance coverage, or are required to pay higher insurance premiums, our business, financial condition and results of operations could be materially and adversely affected.

***Our business could be negatively affected by the actions of activist shareholders.***

Certain of our shareholders may from time to time advance shareholder proposals or otherwise attempt to effect changes at the Company, influence elections of directors or acquire control over our business. Our success largely depends on the ability of our current management team to operate and manage effectively. Campaigns by shareholders to effect changes at publicly listed companies are sometimes led by investors seeking to increase short-term shareholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases or even sales of assets or the entire company, or by voting against proposals put forward by the board of directors and management of the company. If faced with actions by activist shareholders, we may not be able to respond effectively to such actions, which could be disruptive to our business.

#### **Political and Regulatory Risks**

***India’s obligations under the World Trade Organization Agreement could materially affect our business.***

India’s obligations under its World Trade Organization agreement could reduce the present level of tariffs on imports of components and vehicles. Reductions of import tariffs could result in increased competition, which in turn could materially and adversely affect our sales, business, financial condition and results of operations.

***New or changing laws, regulations and government policies regarding increased fuel economy, reduced greenhouse gas and other emissions, vehicle safety and taxes, tariffs or fiscal policies may have significant impact on our business.***

As an automobile company, we are subject to extensive governmental regulations regarding vehicle emission levels, noise, safety and levels of pollutants generated by our production facilities. In particular, the United States, Europe and China have stringent regulations relating to vehicle greenhouse gas and noxious emissions. The tightening of vehicle emissions regulations will require significant costs for compliance. While we are pursuing various technologies in order to meet the required standards in the various countries in which we sell our vehicles, these regulations are likely to become more stringent and the resulting higher compliance costs may be significant to our operations and may adversely impact our business, financial condition and results of operations. They may also limit the type of vehicles we sell and where we sell them, which could affect our revenues.

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Recently, several jurisdictions, such as Norway, Germany, the United Kingdom, France, the Netherlands and China have announced the intention to eliminate the sale of conventionally fueled vehicles in their markets in the coming decades. Diesel technologies have also become the focus of legislators in the United States and European Union as a result of emission levels. This has led to various carmakers to announce programs to retrofit diesel vehicles with software that will allow them to reduce emissions. To maintain our competitiveness and compliance with applicable laws and regulations, we may be required to undertake increased R&D spending as well as other capital expenses.

There is a risk that these R&D activities may not achieve their planned objectives or our competitors will develop better solutions and will be able to manufacture the resulting products more rapidly. This could result in loss of market share for us.

There is also a risk that investments in research and development of new technologies, including autonomous, connected and electrification technologies, and solutions to address future travel and transport challenges, may fail to generate sufficient returns because the technology developed or the product derived therefrom are unsuccessful in the market and/or because our competitors have developed better and/or less expensive products.

Additionally, in order to comply with current and future safety and environmental norms, we may have to incur additional capital expenditure and R&D expenditure to (i) operate and maintain our production facilities, (ii) install new emissions controls or reduction technologies, (iii) purchase or otherwise obtain allowances to emit greenhouse gases, (iv) administer and manage our greenhouse gas emissions program, and (v) invest in research and development to upgrade products and manufacturing facilities. If we are unable to develop commercially viable technologies or otherwise unable to attain compliance within the time frames set by the new standards, we could face significant civil penalties or be forced to restrict product offerings significantly. For example, in the United States, manufacturers are subject to substantial civil penalties if they fail to meet federal Corporate Average Fuel Economy, or CAFE, standards. Please see Item 4.B “Information on the Company–Business Overview–Government Regulations – Environmental, fiscal and other governmental regulations around the world–Greenhouse gas/CO<sub>2</sub>/fuel economy legislation” for additional detail on these standards. These penalties are calculated at US\$5.50 for each tenth of a mile below the required fuel efficiency level for each vehicle sold in a model year in the U.S. market. As with many European manufacturers, since 2010, Jaguar Land Rover has paid total penalties of US\$46 million for its failure to meet CAFE standards. Jaguar Land Rover could incur a substantial increase in these penalties, as a result of announced increases in CAFE civil penalties to adjust for inflation. Moreover, safety and environmental standards may at times impose conflicting imperatives, which pose engineering challenges and would, among other things, increase our costs.

The Motor Vehicles (Amendment) Bill, 2017 was passed in the Lok Sabha on April 10, 2017, and is currently being debated in the Rajya Sabha. This Bill addresses vehicle recalls, road safety, traffic management and accident insurance, among other matters. In its current draft, the Bill imposes civil and criminal liability on manufacturers selling vehicles in contravention of the standards specified in the Bill, or required by the government to recall their vehicles. The Bill also proposes the creation of the National Road Safety Board to provide advice to the central and state governments on all aspects of road safety and traffic management.

Commencing July 1, 2017, the Indian tax regime underwent a systemic change. The Government of India, in conjunction with the state governments, implemented a comprehensive national goods and services tax, or GST, regime to subsume a large number of Central government and State government taxes into one unified tax structure. It is a dual GST with Central government and State government simultaneously levying it on the common base. The tax is called Central GST (CGST), if levied by Central government; State/Union Territory GST (SGST/UTGST), in instances where the state or union territory levy the tax; and Integrated GST (IGST), in instances where the GST is levied on the inter-state supply of goods and services. While both the central and state governments have publicly announced that all committed incentives will be protected following the implementation of the GST, given the limited availability of information or alignment of industrial policy of various State government to cover GST or to protect the quantum of incentive available to industries in pre-GST regime, we are unable to provide any assurance as to this or any other aspect of the tax regime, or guarantee that the implementation of GST will not materially or adversely affect our business or financial condition.



Imposition of any additional taxes and levies designed to limit the use of automobiles and changes in corporate and other taxation policies as well as changes in export and other incentives given by various governments or import or tariff policies, could adversely affect the demand for our vehicles and our results of operations. For instance, the United Kingdom's exit from the European Union would result in material changes to the UK's tax, tariff and fiscal policies. In addition, the current U.S. presidential administration could seek to introduce changes to laws and policies governing international trade and impose additional tariffs and duties on foreign vehicle imports, which could have a material adverse effect on our sales in the United States. Furthermore, in recent years, Brazil has increased import duty on foreign vehicles, which has put pressure on sales margins in Brazil and has prompted us to enter into discussions with the Brazilian government to exempt a certain number of imported vehicles from the increased tariff. Finally, the European Commission is currently investigating whether certain tax and other incentives granted by the government of Slovakia in connection with the construction of our Slovakian manufacturing facility complied with European Union rules on state aid. Such government actions may be unpredictable and beyond our control, and any adverse changes in government policy could have a material adverse effect on our business prospects, results of operations and financial condition.

Evaluating and estimating our provision and accruals for our taxes requires significant judgment. As we conduct our business, the final tax determination may be uncertain. We operate in multiple geographical markets and our operations in each market are susceptible to additional tax assessments and audits. Our collaborations with business partners are similarly susceptible to such tax assessments.

Authorities may engage in additional reviews, inquiries and audits that disrupt our operations or challenge our conclusions regarding tax matters. Any resulting tax assessment may be accompanied by a penalty or additional fee for failing to make the initial payment. Our tax rates may be affected by earnings estimation errors, losses in jurisdictions that do not grant a related tax benefit, changes in currency rates, acquisitions, investments, or changes in laws, regulations or practices. Additionally, government fiscal pressures may increase the likelihood of adverse or aggressive interpretations of tax laws or regulations or the imposition of arbitrary or onerous taxes, interest charges and penalties. Tax assessments may be levied even where we consider our practices to be in compliance with tax laws and regulations. Should we challenge such taxes or believe them to be without merit, we may nonetheless be required to pay them. These amounts may be materially different from our expected tax assessments and could additionally result in expropriation of assets, attachment of additional securities, liens, imposition of royalties or new taxes and requirements for local ownership or beneficiation.

Regulations in the areas of investments, taxes and levies may also have an impact on Indian securities, including our Shares and ADSs. For more information, see Item 4.B “–Business Overview–Government Regulations” of this annual report on Form 20-F.

In 2014, the antitrust regulator in China, the Bureau of Price Supervision and Anti-Monopoly of the National Development and Reform Commission (the “NDRC”), launched an investigation into the pricing practices of more than 1,000 Chinese and international companies in the automotive industry, including Jaguar Land Rover and many of our competitors. The NDRC has reportedly imposed fines on certain of our international competitors as a result of anti-competitive practices pertaining to vehicle and spare-part pricing. In response to this investigation, we established a process to review our pricing in China and announced reductions in the manufacturer’s suggested retail price for the 5.0-liter V8 models, which include the Range Rover, Range Rover Sport and F-Type and the price of certain of our spare parts. Further imposition of price reductions and other actions taken in relation to our products may significantly reduce our revenues and profits generated by operations in China and have a material adverse effect on our financial condition and results of operations. As a result, our attempts to offset the potential decline in revenue and profits by increasing operational efficiencies and leveraging economies of scale (for example, through local production in China) may fail or not be as successful as expected. Furthermore, any regulatory action taken or penalties imposed by regulatory authorities may have significant adverse financial and reputational consequences on our business and have a material adverse effect on our results of operations and financial condition.

On March 29, 2017, the Supreme Court of India prohibited the sale and registration of Bharat Stage III vehicles from April 1, 2017. Bharat Stage emission standards are emission standards instituted by the Government of India to regulate the output of air pollutants from internal combustion engines and Spark-ignition engines equipment, including motor vehicles. These regulations are similar to European emission standards, and seeks to curb emission levels from motor vehicles. Bharat Stage III similar to European standards (Euro III) which was in place between 2000 and 2005 in most western nations. The Supreme Court’s judgment overturned a government regulation, and was unexpected. The Petroleum Ministry of India in consultation with Public Oil Marketing Companies brought forward the date of Bharat Stage-VI grade auto fuels in NCT of Delhi with effect from April 1, 2018 instead of April 1, 2020. The Government of India has announced its intention to leapfrog to Bharat Stage-VI from April 1, 2020. Any future potential or real unexpected change in law could have could have a material adverse effect on our business prospects, results of operations and financial condition.

***We may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect our business.***

The Indian Competition Act, 2002 (the Competition Act) oversees practices having an appreciable adverse effect on competition, or AAEC, in a given relevant market in India. Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes or is likely to cause an AAEC, is considered void and results in imposition of substantial penalties. Consequently, all agreements entered into by us could be within the purview of the Competition Act. Furthermore, any agreement among competitors which directly or indirectly involves determination of purchase or sale prices, limits or controls production, sharing the market by way of geographical area or number of subscribers in the relevant market or which directly or indirectly results in bid-rigging or collusive bidding is presumed to have an AAEC in the relevant market in India and is considered void. The Competition Act also prohibits abuse of a dominant position by any enterprise. We cannot predict with certainty the impact of the provisions of the Competition Act on our agreements at this stage.

On March 4, 2011, the Government of India issued and brought into force the combination regulation (merger control) provisions under the Competition Act with effect from June 1, 2011. These provisions require acquisitions of shares, voting rights, assets or control or mergers or amalgamations that cross the prescribed asset- and turnover-based thresholds to be mandatorily notified to and pre-approved by the Competition Commission of India, or CCI. Additionally, on May 11, 2011, the CCI issued the Competition Commission of India (Procedure for Transaction of Business Relating to Combinations) Regulations, 2011 (as amended), which sets out the mechanism for the implementation of the merger control regime in India.

Furthermore, the CCI has extraterritorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an AAEC in India. The CCI has initiated an inquiry against us and other car manufacturers, collectively referred to hereinafter as the OEMs, pursuant to an allegation that genuine spare parts of automobiles manufactured by the OEMs were not made freely available in the open market in India and, accordingly, anti-competitive practices were carried out by the OEMs.

If we are adversely affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it could adversely affect our business, financial condition and results of operations.

***Compliance with new or changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.***

We are subject to a complex and continuously changing regime of laws, rules, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and U.S. Securities and Exchange Commission, or SEC, regulations, Securities and Exchange Board of India, or SEBI, regulations, New York Stock Exchange, or NYSE, listing rules, and the Companies Act, as well as Indian stock market listing regulations. New or changed laws, rules, regulations and standards may lack specificity and are subject to varying interpretations. Under applicable Indian laws, for example, remuneration packages may, in certain circumstances, require shareholders' approval. New guidance and revisions may be provided by regulatory and governing bodies, which could result in continuing uncertainty and higher costs of compliance. We are committed to maintaining high standards of corporate governance and public disclosure. However, our efforts to comply with evolving regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management resources and time.

The Companies Act has effected significant changes to the existing Indian company law framework, such as in the provisions related to the issue of capital, disclosures in offering documents, corporate governance norms, accounting policies and audit matters, related party transactions, class action suits against companies by shareholders or depositors, prohibitions on loans to directors and insider trading, including restrictions on derivative transactions concerning a company's securities by directors and key managerial personnel. The Companies Act may subject us to higher compliance requirements, increase our compliance costs and divert management's attention. We are also required to spend, in each financial year, at least 2% of our average net profits during the three immediately preceding financial years, calculated for Tata Motors Limited on a standalone basis under Ind AS, toward corporate social responsibility activities. Furthermore, the Companies Act imposes greater monetary and other liability on us and our directors for any non-compliance. Due to limited relevant jurisprudence, in the event that our interpretation of the Companies Act differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government of India in the future, we may face regulatory actions or be required to undertake remedial steps. In addition, some of the provisions of the Companies Act overlap with other existing laws and regulations (such as corporate governance provisions and insider trading regulations issued by SEBI). SEBI promulgated the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or the Listing Regulations, which are applicable to all Indian companies with listed securities or companies intending to list its securities on an Indian stock exchange, and the Listing Regulations became effective on December 1, 2015. Pursuant to the Listing Regulations, we are required to establish and maintain a vigilance mechanism for directors and employees to report their concerns about unethical behavior, actual or suspected fraud or violation of our Code of Conduct or ethics policy under our whistleblower policy, to implement increased disclosure requirements for price sensitive information, to conduct elaborate directors familiarization programs and comprehensive disclosures thereof, in accordance with the Listing Regulations. We may face difficulties in complying with any such overlapping requirements. Furthermore, we cannot currently determine the impact of certain provisions of the Companies Act and the revised SEBI corporate governance norms. Any increase in our compliance requirements or in our compliance costs may have a material and adverse effect on our business, financial condition and results of operations.

***We are subject to risks associated with legal proceedings and governmental investigations, including potential adverse publicity as a result thereof.***

We are and may be involved from time to time in civil, labor, administrative or tax proceedings arising in the ordinary course of business. It is not possible to predict the potential for, or the ultimate outcomes of, such proceedings, some of which may be unfavorable to us. In such cases, we may incur costs and any mitigating measures (including provisions taken on our balance sheet) adopted to protect against the impact of such costs may not be adequate or sufficient. In addition, adverse publicity surrounding legal proceedings, government investigations or allegations may also harm our reputation and brands.

***In any of the geographical markets in which we operate, we could be subject to additional tax liabilities.***

Evaluating and estimating our provision and accruals for our taxes requires significant judgement. As we conduct our business, the final tax determination may be uncertain. We operate in multiple geographical markets and our operations in each market are susceptible to additional tax assessments and audits. Our collaborations with business partners are similarly susceptible to such tax assessments. Authorities may engage in additional reviews, inquiries and audits that disrupt our operations or challenge our conclusions regarding tax matters. Any resulting tax assessment may be accompanied by a penalty (including revocation of a benefit or exemption from tax) or additional fee for failing to make the initial payment.

Our tax rates may be affected by earnings estimation errors, losses in jurisdictions that do not grant a related tax benefit, changes in currency rates, acquisitions, investments, or changes in laws, regulations, or practices. Additionally, government fiscal or political pressures may increase the likelihood of adverse or aggressive interpretations of tax laws or regulations or the imposition of arbitrary or onerous taxes, interest charges and penalties. Tax assessments may be levied even where we consider our practices to be in compliance with tax laws and regulations. Should we challenge such taxes or believe them to be without merit, we may nonetheless be required to pay them. These amounts may be materially different from our expected tax assessments and could additionally result in expropriation of assets, attachment of additional securities, liens, imposition of royalties or new taxes and requirements for local ownership or beneficiation.

***We may have to comply with more stringent foreign investment regulations in India in the event of an increase in shareholding of non-residents or if we are considered as engaged in a sector in which foreign investment is restricted.***

Indian companies, which are owned or controlled by non-resident persons, are subject to investment restrictions specified in the Consolidated FDI (Foreign Direct Investment) Policy. Under the Consolidated FDI Policy issued in 2017, an Indian company is considered to be “owned” by non-resident persons if more than 50% of its equity interest is beneficially owned by non-resident persons. The non-resident equity shareholding in our company may, in the near future, exceed 50%, thereby resulting in our company being considered as being “owned” by non-resident entities under the Consolidated FDI Policy. In such an event, any investment by us in existing subsidiaries, associates or joint ventures and new subsidiaries, associates or joint ventures will be considered as indirect foreign investment and shall be subject to various requirements specified under the Consolidated FDI Policy, including sectoral limits, approval requirements and pricing guidelines, as may be applicable.

Furthermore, as part of our automotive business, we supply, and have in the past supplied, vehicles to Indian military and paramilitary forces and in the course of such activities have obtained an industrial license from the Department of Industrial Policy. The Consolidated FDI policy applies different foreign investment restrictions to companies based upon the sector in which they operate. While we believe we are an automobile company by virtue of the significance of our automobile operations, in the event that foreign investment regulations applicable to the defense sector (including under the Consolidated FDI Policy) are made applicable to us, we may face more stringent foreign investment restrictions and other compliance requirements compared to those applicable to us presently, which, in turn, could materially affect our business, financial condition and results of operations.

***We require certain approvals or licenses in the ordinary course of business, and the failure to obtain or retain them in a timely manner, or at all, could materially and adversely affect our operations.***

We require certain statutory and regulatory permits, licenses and approvals to carry out our business operations and applications for their renewal need to be made within certain time frames. For some of the approvals which may have expired, we have either made, or are in the process of making, an application for obtaining the approval or its renewal. While we have applied for renewal for such approvals, registrations and permits, we cannot assure you that we will receive them in a timely manner or at all. We can make no assurances that the approvals, licenses, registrations and permits issued to us would not be suspended or revoked in the event of non-compliance or alleged non-compliance with any terms or conditions thereof, or pursuant to any regulatory action. Furthermore, if we are unable to renew or obtain necessary permits, licenses and approvals on acceptable terms in a timely manner, or at all, our business, financial condition and results of operations could be materially and adversely affected.

#### **Risks associated with Investments in an Indian Company**

***Political changes in the Government of India could delay and/or affect the further liberalization of the Indian economy and materially and adversely affect economic conditions in India, generally, and our business, in particular.***

Our business could be significantly influenced by economic policies adopted by the Government of India. Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms.

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The Government of India has at various times announced its general intention to continue India's current economic and financial liberalization and deregulation policies. However, protests against such policies, which have occurred in the past, could slow the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well. While we expect any new government to continue the liberalization of India's economic and financial sectors and deregulation policies, there can be no assurance that such policies will be continued.

The Government of India has traditionally exercised and continues to exercise influence over many aspects of the economy. Our business and the market price and liquidity of our ADSs and Shares may be affected by interest rates, changes in policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

A change in the Government of India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally, and specifically our business and operations, as a substantial portion of our assets are located in India. This could have a material adverse effect on our financial condition and results of operations.

***Any downgrading of India's debt rating by a domestic or international rating agency could negatively impact our business.***

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies could adversely impact our ability to raise additional financing, as well as the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our financial results, business prospects, ability to obtain financing for capital expenditures and the price of our Shares and ADSs.

***We may be materially and adversely affected by Reserve Bank of India policies and actions.***

The Indian stock exchanges are vulnerable to fluctuations based on changes in monetary policy formulated by the Reserve Bank of India, or RBI. We can make no assurances about future market reactions to RBI announcements and their impact on the price of our Shares and ADSs. Furthermore, our business could be significantly impacted were the RBI to make major alterations to monetary or fiscal policy. Certain changes, including the raising of interest rates, could negatively affect our sales and consequently our revenue, any of which could have a material adverse effect on our financial condition and results of operations.

***Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.***

Our Articles of Association and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company incorporated in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions, including the United States. You may also have more difficulty in asserting your rights as a shareholder of our company than you would as a shareholder of a corporation organized in another jurisdiction.

***The market value of your investment may fluctuate due to the volatility of the Indian securities market.***

Stock exchanges in India, including BSE Limited, or the BSE, have, in the past, experienced substantial fluctuations in the prices of their listed securities. Such fluctuations, if they continue or recur, could affect the market price and liquidity of the securities of Indian companies, including our Shares and ADSs. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. Volatility in other stock exchanges, including, but not limited to, those in the United Kingdom and China, may affect the prices of securities in India, including our Shares, which may in turn affect the price of our ADSs. In addition, the governing bodies of the stock exchanges in India have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

There may be a differing level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants, than in the United States. SEBI received statutory powers in 1992 to assist it in carrying out its responsibility for improving disclosure and other regulatory standards for the Indian securities markets. Subsequently, SEBI has prescribed regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities market. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in the United States.

***Investors may have difficulty enforcing judgments against us or our management.***

We are a public limited company incorporated in India. The majority of our directors and executive officers are residents of India and substantially all of the assets of those persons and a substantial portion of our assets are located in India. As a result, it may not be possible for you to effect service of process within the United States upon those persons or us. In addition, you may be unable to enforce judgments obtained in courts of the United States against those persons outside the jurisdiction of their residence, including judgments predicated solely upon U.S. federal securities laws. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with public policy.

Section 44A of the Indian Code of Civil Procedure, 1908, as amended, or the Civil Code, provides that where a foreign judgment has been rendered by a superior court (within the meaning of the section) in any country or territory outside of India which the Government of India has by notification declared to be a reciprocating territory, such foreign judgment may be enforced in India by proceedings in execution as if the judgment had been rendered by an appropriate court in India. However, the enforceability of such judgments is subject to the exceptions set forth in Section 13 of the Civil Code.

Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of amounts payable in respect of taxes or other charges of a similar nature or in respect of fines or other penalties and does not include arbitration awards.

If a judgment of a foreign court is not enforceable under Section 44A of the Civil Code as described above, it may be enforced in India only by a suit filed upon the judgment, subject to Section 13 of the Civil Code and not by proceedings in execution. Accordingly, as the United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A, a judgment rendered by a court in the United States may not be enforced in India except by way of a suit filed upon the judgment.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the resolution of suits by Indian courts.

A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI, under the Foreign Exchange Management Act, 1999, or FEMA to repatriate any amount recovered pursuant to such enforcement. Any judgment in a foreign currency would be converted into Indian rupees on the date of judgment and not on the date of payment.

**Risks associated with our Shares and ADSs**

***Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar may have a material adverse effect on the market value of our ADSs and Shares, independent of our operating results.***

The exchange rate between the Indian rupee and the U.S. dollar has changed materially in the last two decades and may materially fluctuate in the future. Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect, among others things, the U.S. dollar equivalents of the price of our Shares in Indian rupees as quoted on stock exchanges in India and, as a result, may affect the market price of the ADSs. Such fluctuations will also affect the U.S. dollar equivalent of any cash dividends in Indian rupees received on the Shares represented by the ADSs and the U.S. dollar equivalent of the proceeds in Indian rupee of a sale of Shares in India.

**Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise those rights.**

Although ADS holders have a right to receive any dividends declared in respect of the Shares underlying the ADSs, they cannot exercise voting or other direct rights as a shareholder with respect to the Shares underlying the ADSs. Citibank, N.A. as depositary, or the depositary, is the registered shareholder of the deposited Shares underlying our ADSs, and only the depositary may exercise the rights of shareholders in connection with the deposited Shares. The depositary will notify ADS holders of upcoming votes and arrange to deliver our voting materials to ADS holders only if requested by us. The depositary will try, insofar as practicable, subject to Indian laws and the provisions of our Articles of Association, to vote or have its agents vote the deposited securities as instructed by the ADS holders. If the depositary receives voting instructions in time from an ADS holder which fails to specify the manner in which the depositary is to vote the Shares underlying such ADS holder's ADSs, such ADS holder will be deemed to have instructed the depositary to vote in favor of the items set forth in such voting instructions. If the depositary has not received timely instructions from an ADS holder, such ADS holder shall be deemed to have instructed the depositary to give a discretionary proxy to a person designated by us, subject to the conditions set forth in the deposit agreement. If requested by us, the depositary is required to represent all Shares underlying ADSs, regardless of whether timely instructions have been received from such ADS holders, for the sole purpose of establishing a quorum at a meeting of shareholders. In addition, in your capacity as an ADS holder, you will not be able to examine our accounting books and records, or exercise appraisal rights. Registered holders of our Shares withdrawn from the depositary arrangements will be entitled to vote and exercise other direct shareholder rights in accordance with Indian law. However, a holder may not know about a meeting sufficiently in advance to withdraw the underlying Shares in time. Furthermore, an ADS holder may not receive voting materials, if we do not instruct the depositary to distribute such materials, or may not receive such voting materials in time to instruct the depositary to vote.

For further details on the terms and conditions of our ADSs and the rights and obligations of our ADS holders, please see the amended and restated deposit agreement dated as at September 27, 2004 among us, Citibank, N.A., as depositary, and all holders and beneficial owners of ADSs issued thereunder, as amended and supplemented by Amendment No. 1, dated as at December 16, 2009, hereinafter referred to as the deposit agreement, which is incorporated by reference into this annual report on Form 20-F.

Moreover, pursuant to Indian regulations, we are required to offer our shareholders preemptive rights to subscribe for a proportionate number of Shares to maintain their existing ownership percentages prior to the issue of new Shares. These rights may be waived by a resolution passed by at least 75% of our shareholders present and voting at a general meeting. ADS holders may be unable to exercise preemptive rights for subscribing to these new Shares unless a registration statement under the Securities Act is effective or an exemption from the registration requirements is available to us. Our decision to file a registration statement would be based on the costs, timing, potential liabilities and the perceived benefits associated with any such registration statement and we do not commit that we would file such a registration statement. If any issue of securities is made to our shareholders in the future, such securities may also be issued to the depositary, which may sell such securities in the Indian securities market for the benefit of the holders of ADSs. There can be no assurance as to the value, if any, the depositary would receive upon the sale of such rights or securities. To the extent that ADS holders are unable to exercise preemptive rights, their proportionate ownership interest in our company would be reduced.

***The Government of India's regulation of foreign ownership could materially reduce the price of the ADSs.***

Foreign ownership of Indian securities is regulated and is partially restricted. In addition, there are restrictions on the deposit of Shares into our ADS facilities. ADSs issued by companies in certain emerging markets, including India, may trade at a discount to the market price of the underlying Shares, in part because of the restrictions on foreign ownership of the underlying Shares and in part because ADSs are sometimes perceived to offer less liquidity than underlying Shares that can be traded freely in local markets by both local and international investors. See Item 10.D "Exchange Controls".

***There are restrictions on daily movements in the price of the Shares, which may constrain a shareholder's ability to sell, or the price at which a shareholder can sell, Shares at a particular point in time.***

The Shares are subject to a daily circuit breaker imposed by stock exchanges in India on publicly listed companies, including us, which does not allow transactions causing volatility in the price of the Shares above a certain threshold. This circuit breaker operates independently from the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the stock exchanges in India based on the historical volatility in the price and trading volume of our Shares. The stock exchanges in India are not required to inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively acts to limit the upward and downward movements in the price of our Shares. As a result of this circuit breaker, we cannot make any assurance regarding the ability of our shareholders to sell their Shares or the price at which such shareholders may be able to sell their Shares.