

Independent Auditors' Report

To the Members of
Tata Motors Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Tata Motors Limited ('the Company'), which comprise the standalone balance sheet as at March 31, 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information and includes two joint operations consolidated on a proportionate basis.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of report of other auditor on separate financial statements of one joint operation as was audited by the other auditor, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Description of Key Audit Matter

Key audit matter	How the matter was addressed in our audit
1) Impact of COVID-19 pandemic on Going Concern assessment of the Company	
Refer Note 2(c) related to "Going Concern" and Note 2(d)(v) related to "Estimation of uncertainties relating to the global health pandemic from COVID-19" of the standalone financial statements	In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:
The World Health Organisation in February 2020 declared COVID 19 as a pandemic. Governments around the world including India have been taking significant measures to curb the spread of the virus including imposing mandatory lockdowns and restrictions in activities. Consequently, the Company's manufacturing plants and offices also had to be closed down for a considerable period of time, including after the year end.	<ul style="list-style-type: none"> Obtained an understanding of the Company's internal controls over its forecasting process; Compared the key assumptions adopted by the Company in preparing the forecasted cash flows with our expectations based on actual cashflows of 2019-20 and our understanding of the changes to the Company's business; Assessed the sensitivities and performed stress testing on the forecasted cash flows; Examined the Company's funding arrangements and evaluated the financing terms and covenants to assess its ability to renew existing loans and/or obtain additional financing if the need arises; Assessed the adequacy of the disclosures related to application of the going concern assumption.
These lockdowns have a significant impact on the overall economic activity in India and in particular on the automotive industry. Accordingly, the future cash flow projections used to assess going concern are subject to significant estimation uncertainties.	
In view of the above, we have identified our assessment of the going concern basis of accounting as a key audit matter.	

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit report of the other auditor referred to in "Other Matter" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

2) Impairment of property, plant and equipment and intangible assets of passenger vehicles cash generating unit

The Company holds intangible assets under development and tests its cash generating units ('CGU') for impairment at least annually. The Company has identified its passenger vehicle business unit as a separate cash generating unit ('CGU'). As at March 31, 2020, the Company recognized an impairment loss of ₹ 1,418.64 crores for this CGU. The carrying value after impairment of the net assets in this CGU is ₹ 9,120.31 crores.

The history of losses in the passenger vehicles CGU, declining sales volumes and the suspension of manufacturing and sales activity due to mandatory lockdowns towards and after year end consequent to the COVID-19 pandemic has led to the impairment test being subject to significant judgements and estimates applied by management.

Management believes that no further adjustments are required to these estimates. However, in view of the highly uncertain economic environment impacting the automotive industry, a definitive assessment of the impact is highly dependent upon circumstances as they evolve in future and the actual results may differ from those estimated as at the date of approval of these financial statements.

This annual impairment test is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the key assumptions, including estimates of future sales volumes and prices, operating costs, terminal value growth rates, capital expenditure and the weighted-average cost of capital (discount rate), to be used to estimate the recoverable amount.
(Refer note 2(r) and 6(a) of the standalone financial statements)

In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence

Test of Controls:

- We tested the design, implementation and operating effectiveness of key controls over the assumptions and inputs used in cash flow forecasts and valuation models.

Test of Details:

- Involved independent valuation specialist to assist in evaluating the appropriateness of the valuation models used including evaluating whether the comparable companies considered in the fair value less costs to sell (FVLCS) model are appropriate and whether the discount rate applied in the value in use (VIU) model is appropriate;
- evaluated the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the Company and the industry;
- performed sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the impairment loss recognized; and
- evaluated the adequacy of the standalone financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

3) Recognition of product development cost as an intangible asset

Product development costs incurred on new vehicle platforms, engines, transaxles and new vehicles are recognised as intangible assets only when:

- technical feasibility has been established,
- the Company has committed technical and commercial resources to complete the development and use the intangible asset and
- it is probable the asset will generate future economic benefits.

The costs capitalised during the year include the cost of technical know-how expenses, materials, direct labour, inspecting and testing charges, designing cost, software expenses and directly attributable overhead expenditure incurred up to the date the intangible asset is available for use including interest.

The recognition of product development cost as an intangible asset is considered to be a key audit matter given the assessment of the recognition criteria set out in Ind AS 38 'Intangible Assets' is made at an early stage of product development and there are inherent challenges with accurately predicting the future economic benefit, which must be assessed as 'probable' for capitalisation to commence. There is a risk therefore that development cost may get capitalised where the relevant criteria has not been met.

Further, the decline in volumes in the current year and the suspension of manufacturing activity due to mandatory lockdowns towards and after year end consequent to the COVID-19 pandemic has significantly increased the estimation uncertainties.

(Refer note 2{o} and note 5 of the standalone financial statements)

In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:

Test of Controls:

- Tested the Company's design, implementation and operating effectiveness of controls to comply with the recognition criteria set out in Ind AS 38 'Intangible Assets' for projects initiated during the year.

Test of details:

- Evaluated the inputs used for volumes, sales, margins and capital expenditure in the assessment of future economic benefit;
- Evaluated historical forecasting accuracy for these inputs by comparing the historical forecasts to the actual results for similar projects;
- Performed a sensitivity analysis of changes in the forecasts considering the impact of historical forecasting accuracy;
- For selected projects, examined approvals of the project oversight committee to determine the expected future economic benefits and technical feasibility of the project.
- For selected projects, compared the inputs used in the forecasting of future economic benefit to source documents.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company including its joint operations, in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the Company and its joint operations are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the respective company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the preparation of the standalone financial statements by the Management and Directors of the Company, as aforesaid.

In preparing the standalone financial statements, the respective Management and Board of Directors of the Company and its joint operations are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the Company and its joint operations is also responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting in preparation of standalone financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company (including its joint operations) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its joint operations to express an opinion on the standalone financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of the Company and such joint operation. For the other joint operation included in the standalone financial statements, which has been audited by other auditor, such other auditor remains responsible for the direction, supervision and performance of the audit carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in section titled 'Other Matter' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit report of the other auditor referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

We communicate with those charged with governance of the Company and such other entities included in the standalone financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

We did not audit the financial statements of one joint operation included in the standalone financial statements of the Company, whose financial statements reflect total assets (before consolidation adjustments) of ₹6,876.67 crores as at March 31, 2020, total revenue (before consolidation adjustments) of ₹5,610.74 crores and net profit after tax (before consolidation adjustments) of ₹286.94 crores and net cash inflows (before consolidation adjustments) amounting to ₹509.62 crores for the year ended March 31, 2020, as considered in the standalone financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the management and our opinion on the standalone financial statements, in so far as it relates to the amounts and disclosures included in respect of this joint operation, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid joint operation is based solely on the audit report of the other auditor.

Our opinion on the standalone financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ('the Order') issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order for the Company (excluding its joint operations), to the extent applicable.
2. (A) As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate financial statements of a joint operation, as were audited by the other auditor as noted in the "Other Matter" paragraph, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company and its joint operations so far as it appears from our examination of those books and the report of the other auditor.
 - c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the relevant books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors and the report of the statutory auditors of the joint operations, none of the directors of the Company and its joint operations is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and its joint operations which are companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements of a joint operation, as noted in the "Other Matter" paragraph:
- i. The standalone financial statements disclose the impact of pending litigations as at March 31, 2020 on the financial position of the Company and its joint operations - Refer Note 40 to the standalone financial statements;
 - ii. Provision has been made in the standalone financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts - Refer Note 50 (iii) to the standalone financial statements;
 - iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Company or its joint operations incorporated in India during the year ended March 31, 2020;
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended March 31, 2020.

- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

We draw your attention to Note 45 to the standalone financial statements for the year ended March 31, 2020 according to which the managerial remuneration paid to the CEO and Managing Director of the Company amounting to ₹16.48 crores for the financial year exceeds the prescribed limits under Section 197 read with Schedule V to the Act by ₹11.82 crores. This amount excludes Performance and Long term Incentives, which will be accrued post determination and approval by the Nomination and Remuneration Committee of the Company, and such amounts will also exceed the prescribed limits. As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the Company proposes to obtain in the forthcoming Annual General Meeting. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

Further, with respect to the joint operations included in the standalone financial statements, based on the reports of statutory auditors of such joint operations, we understand that the joint operations are private limited companies and accordingly matters to be included in Auditor's report under section 197(16) are not applicable for such joint operations.

For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Place: Mumbai
Date: June 15, 2020

YEZDI NAGPOREWALLA
Partner
Membership No. 049265
UDIN - 20049265AAAAAP9940