

Annexure A to the Independent Auditors' Report – 31 March 2020

With reference to the Annexure referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditor's Report to the members of the Company on the Standalone financial statements for the year ended 31 March 2020, we report that:

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except for certain tools where the Company is in the process of updating the location.
 - (b) The Company has a regular program of physical verification of its fixed assets by which its fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification of fixed assets.
 - (c) According to the information and explanations given to us, the records examined by us and based on the examination of the registered sale deed /transfer deed /conveyance deed /court orders approving schemes of arrangements /amalgamations provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the Balance Sheet date except for certain title deeds for land and buildings amounting to ₹ 829.39 crores which are yet to be transferred in the name of the Company. In respect of immovable properties that have been taken on lease and disclosed as Right of Use assets in the standalone financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) The inventory including inventory lying with third parties, except goods-in-transit, has been physically verified by the management during the year / subsequent to the year end. In our opinion, the frequency of such verification is reasonable and adequate in relation to the size of the Company and the nature of its business. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) According to information and explanations given to us, the Company has granted loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013, in respect of which:
 - a) The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudicial to the Company's interest.
 - b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations or as renegotiated, except as reported below.
 - c) The Company has an amount of ₹ 1.28 crores overdue towards interest for more than ninety days from a subsidiary company covered in the register maintained under section 189 of the Companies Act, 2013. As explained to us, the Company is considering certain steps for recovery of overdue amounts.
- (iv) According to the information and explanations given to us, the Company has complied with provisions of section 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year. In respect of unclaimed deposits, the Company has complied with the provisions of section 73 to 76 of the Act and the rules framed thereunder.
- (vi) The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Companies Act, 2013 in respect of the products manufactured by the Company. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 148(1) of the Companies Act, 2013 in respect of manufacture of products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii)
 - (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' state insurance, Income tax, Duty of customs, Goods and services tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities, except for Provident fund dues referred to in note 40 to the financial statements. We are informed by the Company that the Employee's State Insurance Act, 1948 is applicable only to certain locations of the Company. With regard to the contribution under the Employee's Deposit Linked Insurance Scheme, 1976 (the scheme), the Company has sought exemption from making contribution to the scheme since it has its own Life Cover Scheme. The Company has made an application on March 28, 2017 seeking an extension of exemption from contribution to the Scheme for a period of 3 years approval of which is awaited. As explained to us, the Company does not have dues on account of Sales Tax, Service Tax, Value Added Tax and Duty of Excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' state insurance, Income tax, Duty of customs, Goods and services tax and other material statutory dues were in arrears as at March 31, 2020, for a period of more than six months from the date they became payable. We draw attention to note 40 to the financial statements which more fully explains the matter regarding non-payment of provident fund contribution pursuant to Supreme Court judgement dated February 28, 2019.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Service tax, Value added tax, Goods and services tax, Duty of customs and Duty of excise which have not been deposited by the Company with appropriate authorities on account of any disputes except for the following:

Name of the statute	Nature of dues	Amount (₹ Crores)	Amount paid under protest* (₹ Crores)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	2.78	2.78	1982-83, 1991-92 and 1995-96	High Court
		107.96	107.96	2003-04, 2005-06 to 2011-12 and erstwhile Tata Finance Limited 1997-98 to 1999-2000	Income Tax Appellate Tribunal
		227.62 #	121.09	2012-13 to 2015-2016 and erstwhile Tata Motors Drivelines Limited 2015-16	Commissioner of Income Tax Appeals
Central Excise Act, 1944	Duty of excise	42.28	0.15	1991 -92, 1992-93, 1993-94, 2002-2003, 2005-06, 2006-07, 2009-10, 2010-2011	High Court
		553.99	23.47	1991-92, 1992-93, 1994-95, 1996-97, 1997-98 and 1999-2000 to 2017-18	The Custom, Excise and Service Tax Appellate Tribunal
		10.08	0.34	1984-85, 1999-2000 to 2017-18	Appellate Authority upto Commissioner's level
Finance Act, 1994	Service tax	1,086.69	10.79	2004-05 to 2013-14	High Court
		161.28	3.82	2004-05 to 2017-18	The Custom, Excise and Service Tax Appellate Tribunal
Sales Tax	Sales tax	13.18	-	1995-96	Supreme Court
		281.50	50.51	1984-85 to 1988-89, 1990-91, 1992-93, 2001-02 to 2005-06, 2007-08 to 2016-17.	High Court
		242.91	26.73	1983-84, 1985-86, 1989-90, 1998-99, 2000-01 and 2004-05 to 2015-16	Sales Tax Tribunal
		451.23	26.31	1979-80, 1986-87, 1989-90 to 2017-18	Appellate Authority upto Commissioner's level
Customs Act, 1962	Duty of customs	3.90	3.90	2011-12	Supreme Court
		7.49	3.11	2008-09	The Custom, Excise and Service Tax Appellate Tribunal

*includes refunds adjusted by the authorities.

Demand of ₹106.53 crores has been subsequently deleted pursuant to order under section 154 of the Income Tax Act, 1961 passed on June 8, 2020.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to banks and dues to debenture holders. The Company did not have any outstanding dues to any financial institution or government during the year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not raised money by way of further public offer (including debt instruments) during the year and the term loans taken by the Company have been applied for the purpose for which they were raised.
- (x) According to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act for the year ended March 31, 2020, except for ₹11.82 crores of remuneration paid / provided to its CEO and Managing Director which is in excess of the limits prescribed under Section 197 read with Schedule V of the Act. 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 Companies Act, 2013 the excess remuneration is subject to approval of the shareholders which the Company proposes to obtain in the forthcoming Annual General Meeting.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company as per the Act. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, all transactions with related parties are in compliance with section 177 and 188 of the Act and the details, as required by the applicable accounting standards have been disclosed in the standalone financial statements.

- (xiv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has made preferential allotment of equity shares during the year in compliance with the requirements of Section 42 of the Act. Out of the total money raised aggregating ₹ 3,892 crores, ₹2,762 crores has been utilized till March 31, 2020 (also refer note [22(h)] to the standalone financial statements). Pending utilization, the funds aggregating to ₹1,130 crores were used for purposes other than for which they were raised by temporarily investing in mutual funds and fixed deposits.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them during the year. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to register under section 45-IA of the Reserve Bank of India Act, 1934.

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

YEZDI NAGPOREWALLA
Partner
Membership No. 049265
UDIN - 20049265AAAAAP9940

Place: Mumbai
Date: 15 June 2020

Annexure B to the Independent Auditors' Report 31 March 2020

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Qualified Opinion

We have audited the internal financial controls with reference to financial statements of Tata Motors Limited ('the Company') as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date which includes internal financial controls with reference to financial statements of the Company's joint operations which are companies incorporated in India.

In our opinion, except for the possible effects of the material weakness described below on the achievement of the objectives of the control criteria, the Company and its joint operations which are companies incorporated in India, have maintained, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company and its joint operations considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

We have considered the material weakness identified and reported below in determining the nature, timing and extent of audit tests applied in our audit of the 31 March 2020 standalone financial statements of the Company, and the material weakness does not affect our opinion on the standalone financial statements of the Company.

Basis for Qualified Opinion

According to the information and explanations given to us and based on our audit, a material weakness has been identified in the Company's internal financial controls with reference to financial statements as at 31 March 2020 related to preservation of documentary evidence of the input/output parameters used in extracting system generated reports, to validate the controls over the completeness and accuracy of information used in various process level and management review controls.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control with reference to financial statements, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial

controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor of a joint operation in terms of their report referred in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the internal financial controls with reference to standalone financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matter

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to standalone financial statements in so far as it relates to one joint operation, which is a company incorporated in India, is based solely on the corresponding report of the other auditor.

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

Place: Mumbai
Date: 15 June 2020

YEZDI NAGPOREWALLA
Partner
Membership No. 049265
UDIN - 20049265AAAAAP9940