

# Board's Report

## TO THE MEMBERS OF TATA MOTORS LIMITED

The Directors present their Seventy Fifth Annual Report along with the Audited Financial Statement of Accounts for the FY 2019-20.

## FINANCIAL RESULTS

PARTICULARS	(₹ in crores)			
	Standalone*		Consolidated	
	FY 2020	FY 2019	FY 2020	FY 2019
Revenue from operations	43,928.17	69,202.76	2,61,067.97	3,01,938.40
Total expenditure	43,510.11	63,476.23	2,37,153.67	2,72,143.59
Operating profit	418.06	5,726.53	23,914.30	29,794.81
Other Income	1,383.05	2,554.66	2,973.15	2,965.31
Profit before interest, foreign exchange, depreciation, amortization, exceptional item and tax	1,801.11	8,281.19	26,887.45	32,760.12
Finance cost	1,973.00	1,793.57	7,243.33	5,758.60
Profit before depreciation, amortization, exceptional item, foreign exchange and tax	(171.89)	6,487.62	19,644.12	27,001.52
Depreciation, amortization and product development/ engineering Expenses	4,205.53	3,670.40	25,613.92	27,815.20
Foreign exchange loss (net)	239.00	215.22	1,738.74	905.91
Profit/(loss) before exceptional items and tax	(4,616.42)	2,602.00	(7,708.54)	(1,719.59)
Exceptional Items - loss (net)	2,510.92	203.07	2,871.44	29,651.56
Profit / (loss) before Tax	(7,127.34)	2,398.93	(10,579.98)	(31,371.15)
Tax expenses / (credit) (net)	162.29	378.33	395.25	(2,437.45)
Profit / (loss) after Tax	(7,289.63)	2,020.60	(10,975.23)	(28,933.70)
Share of profit /(loss) of joint venture and associates (net)	-	-	(1,000.00)	209.50
Profit/(loss) for the year	(7,289.63)	2,020.60	(11,975.23)	(28,724.20)
Other comprehensive income/(loss)	(378.72)	(23.43)	11,504.47	(5,575.77)
Total Other comprehensive income/(loss) for the year	(7,668.35)	1,997.17	(470.76)	(34,299.97)
Attributable to:				
Shareholders of the Company	-	-	(578.88)	(34,401.73)
Non-controlling interest	-	-	108.12	101.76

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

## DIVIDEND

In view of the losses for FY 2019-20, no dividend is permitted to be paid to the Members as per the provisions of the Companies Act, 2013 ('the Act') and the Rules framed thereunder.

## TRANSFER TO RESERVES

Due to losses in FY 2019-20, no amount has been transferred to Reserves. An amount of ₹47.10 crores was transferred from Debenture Redemption Reserve to Profit & Loss Account.

## FINANCIAL PERFORMANCE AND STATE OF THE COMPANY'S AFFAIRS

### Operating Results and Profits

**Tata Motors Limited consolidated** revenue from operations was ₹2,61,068 crores in FY 2019-20, 13.5% lower than ₹3,01,938 crores

in FY 2018-19. The decrease was mainly attributable to lower sales volumes, for both, the Company and Jaguar Land Rover.

The consolidated EBITDA margin was at 8.4% in FY 2019-20 as compared to 8.9% in FY 2018-19. EBIT margin stood at (0.2)% in FY 2019-20 as compared to 1.2% for 2018-19. Profit for the period (including share of associates and joint ventures) stood at ₹ (11,975) crores in FY 2019-20 as compared to ₹ (28,724) crores in FY 2018-19.

The free cash flow (auto) was at ₹ (9,205) crores in FY 2019-20 compared to ₹(9,168) crores for FY 2018-19

*Refer MD&A para Operating Result for detail analysis.*

**Tata Motors Limited** recorded revenue from operations (including joint operations) of ₹43,928 crores in FY 2019-20, 36.5% lower than ₹69,203 crores in FY 2018-19. Loss Before and After Tax (including joint operations) for FY 2019-20 were at ₹(7,127) crores and ₹(7,290) crores, respectively as compared to Profit Before and After Tax

(including joint operations) of ₹2,399 crores and ₹2,021 crores respectively for FY 2018-19. The financial performance was impacted due to several challenges in FY 2019-20 such as general economy slowdown, liquidity issues, BS VI transition, unfavourable product mix and impact of COVID-19 pandemic towards the end of the Year

**Jaguar Land Rover ('JLR')**, (as per IFRS) recorded revenue of GB£23.0 billion in FY 2019-20 compared to GB£24.2 billion in FY 2018-19, down by 5.1% broadly in line with the decline in wholesales (excluding CJLR) which were down 6.3% primarily as a result of the impact of coronavirus in the fourth quarter.

EBITDA margins were at 8.7% in FY 2019-20, higher by 50 basis points as compared to 8.2 % in FY 2018-19 primarily supported by cost efficiencies as a result of Project Charge and favourable foreign exchange with the weakening of the Pound. EBIT margins were at (0.1)% in FY 2019-20 higher by 60 basis points as compared to (0.7)% in FY 2018-19, on account of lower depreciation and amortization charge, offset by our share of losses incurred by the China joint venture and the impact of COVID-19 in the fourth quarter. The Loss After Tax and exceptional items was £(469) million in FY 2019-20, as compared to the £(3,321) million Loss After Tax and exceptional items in FY 2018-19. Free cash flows were at £(702) million in FY 2019-20, an improvement of £563 million as compared to £(1,265) million in FY 2018-19.

## VEHICLE SALES AND MARKET SHARES

**The Tata Motors Group** sales for the year stood at 9,61,463 vehicles, down by 24.5% as compared to FY 2018-19. Global sales of all Commercial Vehicles were 3,47,587 vehicles, while sales of Passenger Vehicles were at 6,13,876 vehicles.

*Refer MD&A para Overview of Automotive Operations for detail analysis.*

### TATA MOTORS

**Tata Motors** recorded sales of 4,44,063 vehicles, a decline of 34.6% over FY 2018-19, higher than the Indian Auto Industry decline of 20.3%. The Company's market share (calculated on wholesales) decreased to 12.7% in FY 2019-20 from 15.5% in FY 2018-19.

### Commercial Vehicles ('CV')

Domestic CV industry witnessed a decline of 30% in FY 2019-20 as compared to FY 2018-19. The domestic CV industry faced several challenges including BS VI transition, impact of axle load norms and general slowdown.

**Tata Motors** CV Business sales in the domestic market for FY 2019- 20, witnessed a decline of 33.4% with 3,12,267 units sold. The Company's market share (calculated on wholesales) for FY 2019-20 was 43.0%. All the four segments showed decline with two out of four segments, M&HCV and ILCV, witnessing a market share increase of 240 basis points and 180 basis points respectively. Retail sales increased by 16% as compared to wholesales.

*Refer MD&A para Commercial Vehicles in India for detail analysis.*

### Passenger Vehicles ('PV')

Domestic PV industry witnessed a decline of 17.3% in FY 2019-20 as compared to FY 2018-19, mainly on account of general economic slowdown, liquidity issues, rising cost of vehicle ownership and decline in consumer sentiments.

The Company registered a 37.4 % decline in FY 2019-20 with a total volume of 1,31,796 units. The market share (calculated on wholesales) for FY 2019-20 was 4.8%, a decline of 150 basis points from FY 2018-19.

Financial stress in the market continued to affect the sales volume. Financial institutions were cautious while sanctioning the working capital limit to the auto dealers. During the festival season in October and November 2019, there were some signs of market recovery mainly driven by festive sentiment, however, outbreak of COVID-19 affected the supply of parts between January to March 2020 and sales in fourth quarter.

Various initiatives have been taken to improve the performance of the business including counter measures to deal with the above. The focus was shifted to retail sales rather than traditional approach of whole sales. The Company concentrated on the retail capability enhancement. 181 new sales outlets were added and 3500+ sales executives were inducted in the system. Retail focus helped to reduce the network stock by 66% by December 2019. At the end of March 2020, the stock was 2-3 weeks and BS IV stock was near ZERO. As a continuous improvement of process, vehicle billing to the Company's subsidiary TML Distribution Company Limited was stopped from June 2019 and direct billing to dealers was started.

In January 2020, Altroz was launched, which was the first product from the Alfa platform. With the launch of Altroz, the Company entered into the premium hatch segment. Along with Altroz, BS VI and refreshed versions of Tiago, Tigor and Nexon were also launched. Nexon BS VI was launched with the connected vehicle platform iRA and sunroof. This is the first product of the Company with connected vehicle technology. Harrier BS VI was launched in February 2020, with the automatic transmission and sunroof. This refreshed, NEW FOREVER product portfolio will enhance the sales.

The Customer satisfaction continued to be the focus. The Company was ranked second consecutively for three years in J D Power customer satisfaction survey and ranked fourth in sales satisfaction survey. Net Promoter Score (NPS) has improved to 23, indicating improved brand perception.

### Exports

The Company's exports on standalone basis were lower by 41.4% to 31,144 vehicles in FY 2019-20 as compared to 53,140 vehicles in FY 2018-19.

*Refer MD&A para Tata Commercial Vehicles and Tata Passenger Vehicles — Exports for detail analysis.*

### JAGUAR LAND ROVER ('JLR')

JLR retail sales were 508,659 vehicles in FY 2019-20, down by 70,256 vehicles (12.1%) year-on-year, with over two-thirds of that volume decline occurring in the fourth quarter as the outbreak of COVID-19 impacted sales and the supply of vehicles across all regions. JLR whole sales were 475,952 vehicles in FY 2019-20, down 6.3% as compared to FY 2018-19.

*Refer MD&A para JLR for detail analysis on wholesale and retail sales volumes.*

Some of the key highlights of FY 2019-20 were:

- Collaboration with BMW to develop next generation electronic drive units to power the next generation of all-electric vehicles announced in June 2019.
- In July 2019, JLR revealed plans to manufacture a range of new electrified vehicles at its Castle Bromwich manufacturing plant in the UK.
- JLR will open a new Battery Assembly Centre near Birmingham (UK) and will begin the manufacture of next-generation electric drive units at the Engine Manufacturing Centre (EMC) in Wolverhampton (UK) later this year.

- Sales and production of the all-new Range Rover Evoque ramped up significantly during the year.
- The refreshed Land Rover Discovery Sport was launched in May 2019 and recently went on sale, from the China joint venture in March 2020.
- Production of a 6 cylinder Ingenium 3.0-litre petrol engine started during the year at the EMC in Wolverhampton (UK).
- In September 2019, JLR unveiled new facilities at its Gaydon site in Warwickshire, creating the UK's largest automotive creation and development centre.
- JLR's first battery electric vehicle, the Jaguar I-PACE won the golden steering wheel award for best SUV in November 2019.
- JLR acquired Bowler, the all-terrain performance specialists, in December 2019.
- Refreshed Jaguar F-TYPE launched in December 2019.
- Production of the all-new Land Rover Defender began in January 2020 at the manufacturing plant in Nitra, Slovakia, with first retail sales in March 2020.
- In February 2020, the National Automotive Innovation Centre at the University of Warwick was officially opened, one of Europe's largest automotive R&D hubs.
- JLR unveiled its bold new concept vehicle, Project Vector, in February 2020 as part of the Company's Destination Zero journey, offering its vision of an autonomous, electric and connected future for urban mobility.
- Project Charge/Charge+ delivered £3.5 billion of cost, cash and profit improvements by the end of FY 2020, and is expected to deliver £5 billion of savings by 31 March 2021.
- Plug-in hybrid versions of the Range Rover Evoque and the Land Rover Discovery Sport were recently launched in April 2020 supported by a new 1.5-litre 3-cylinder Ingenium petrol engine.

#### Tata Daewoo Commercial Vehicle Company Limited ('TDCV')

The Consolidated Revenues for FY 2019-20 was ₹3,134 crores as compared to ₹3,973 crores in FY 2018-19. Overall sales decreased by 22.2% to 5,190 units in FY 2019-20 from 6,672 units in FY 2018-19.

*Refer MD&A para Tata Commercial Vehicles and Tata Passenger Vehicles — Exports for detail analysis.*

#### TMF Holdings Limited ('TMFHL')

FY 2019-20 witnessed several challenges including transition to BS VI, low growth in rural wages, NBFC crisis impacting credit flows and the crippling impact of COVID-19 pandemic from mid-March. Assets Under Management (AUM) as on March 31, 2020, stood at ₹ 36,881 crores, as compared to ₹38,311 crores in the year earlier. TMF Group's market share improved by 376 bps to 30% in FY 2019-20. Profit Before Tax for FY 2019-20 grew by 21% to ₹ 149 crores as against ₹ 123 crores in FY2019-20.

*Refer MD&A para Tata and other brand vehicles – Vehicle Financing for detail analysis.*

#### SHARE CAPITAL

During FY 2019-20, the Company allotted 20,16,23,407 Ordinary Shares at a price of ₹150 per Ordinary Share aggregating to ₹3,024 crores and 23,13,33,871 Convertible Warrants ('Warrants'), each carrying a right to subscribe to one Ordinary Share per Warrant, at a price of ₹150 per Warrant ('Warrant Price'), aggregating to ₹3,470 crores on a preferential basis to Tata Sons Private Limited. An

amount equivalent to 25% of the Warrant Price was paid at the time of subscription and allotment of each Warrant and the balance 75% of the Warrant Price shall be payable by the Warrant holder against each Warrant at the time of allotment of Ordinary Shares pursuant to exercise of the options attached to Warrant(s) to subscribe to Ordinary Share(s). The warrants can be exercised within 18 months from the date of allotment. The amount of ₹3,892 crores has been received and is to be utilized for repayment of debt, meeting future funding requirements and other general corporate purposes of the Company and its subsidiaries. The Company has utilised amount of ₹2,762 crores as at March 31, 2020.

#### FINANCE

Amid the challenging environment, further impacted by COVID-19 pandemic, the Company and JLR has undertaken several measures to shore up liquidity. We have sufficient liquidity to weather the demand shocks. As at March 31, 2020, the Company's liquidity (including Joint operations) was ₹6,668 crores (including undrawn credit facility of ₹1,500 crores), while JLR's liquidity was at GBP 5.6 bn (including unutilized credit facility of GBP 1.9 bn).

On account of general economic downturn and several headwinds, including COVID-19 pandemic, both the Company and JLR witnessed certain revisions in credit ratings.

*Refer MD&A para Liquidity and Capital Resources for detail analysis.*

#### Material Changes and Commitment Affecting the Financial Position

The impact of Covid-19 on the Company's financial statements has been given in Note 2(d) of the Notes to financial statements for the year ended March 31, 2020 and the Company's response to the situation arising from this pandemic has been explained in the Management Discussion and Analysis, which forms part of the Annual Report.

#### CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements of the Company and its subsidiaries for FY 2019-20 are prepared in compliance with the applicable provisions of the Act and as stipulated under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI Listing Regulations] as well as in accordance with the Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015. The audited consolidated financial statement together with the Independent Auditor's Report thereon form part of this Annual Report. Pursuant to Section 129(3) of the Act, a statement containing the salient features of the Financial Statement of the subsidiary companies is attached to the Financial Statement in Form AOC-1. Pursuant to the provisions of Section 136 of the Act, the Company will make available the said financial statement of the subsidiary companies upon a request by any member of the Company or its subsidiary companies. These financial statements of the Company and the subsidiary companies will also be kept open for inspection by any member. The members can send an e-mail to [inv\\_rel@tatamotors.com](mailto:inv_rel@tatamotors.com) upto the date of the AGM and the same would also be available on the Company's website URL: <https://www.tatamotors.com/investors/annual-reports/>

#### SUBSIDIARY, JOINT ARRANGEMENTS AND ASSOCIATE COMPANIES

The Company has 103 subsidiaries (13 direct and 90 indirect), 10 associate companies, 3 joint ventures and 2 joint operations as at March 31, 2020, as disclosed in the accounts.

During FY 2019-20, the following changes have taken place in subsidiary / associates / joint venture companies:

- Brabo Robotics and Automation Limited ('BRAL') was incorporated on July 17, 2019, as a wholly owned subsidiary of Tata Motors Limited (TML), with an operating plan to take-over the robotics and factory automation (RAB) division of TML as a going concern. The RAB business of TAL Manufacturing Solutions Limited was transferred to TML w.e.f. April 30, 2019. Presently, BRAL is operational and engaged in RAB business and envisages to explore opportunities within the RAB avenue.
- JLR Ventures Limited was incorporated with effect from May 16, 2019.
- JLR (Ningbo) Trading Co., Limited was incorporated with effect from November 4, 2019.
- TML Business Services Limited [Name changed from Concorde Motors (India) Limited with effect from March 31, 2020] along with the object clause to under take the Global Delivery business for providing services to Tata Motors Group.
- Bowler Motors Limited was incorporated as JLR Auto Ventures Limited, with effect from December 13, 2019 and its name changed on January 28, 2020.
- TML Business Analytics Services Limited (a subsidiary of TML Business Services Limited) was incorporated on April 4, 2020.
- Automotive Skill Training Pvt. Limited voluntarily struck off with effect from April 18, 2019.
- Shareholding in Tata Motors (Thailand) Limited (TMTL) increased from 95.87% to 97.17% with effect from June 6, 2019. On July 31, 2018, the operations of TMTL were ceased and a CBU distribution model was introduced.
- Shareholding in Automobile Corporation of Goa Limited increased from 47.19% to 49.77% post Equity Share Buyback of 3,33,000 equity shares on November 15, 2019.
- Shareholding in Tata Technologies Limited (TTL) decreased by 0.014% to 70.38% on account of further allotment of 6,188 shares to other Shareholders on May 7, 2019 and later on, increased from 70.38% to 72.48% on account of Buyback of 12,46,665 Equity Shares from various Shareholders of TTL which concluded on February 28, 2020. The holding in all the 12 subsidiaries of TTL is 72.48%.
- Lenny Insurance Limited (Name changed from InMotion Ventures 1 Limited with effect from September 6, 2019).

Transfer of Defence Undertaking to Tata Advanced Systems Limited: The Company proposes to transfer the Defence Undertaking pursuant to a Scheme of Arrangement as a going concern on a slump sale basis to Tata Advanced Systems Limited at an enterprise value of ₹209.27 crores ('the Scheme'). During FY 2019-20, the Company has received requisite approvals from the shareholders and National Company Law Tribunal. The Scheme would be effective on filing the Scheme with the Registrar of Companies subsequent to meeting the pre-conditions prescribed in the Scheme.

There has been no material change in the nature of the business of the subsidiary companies.

The policy for determining material subsidiaries of the Company is available on the Company's website URL: <https://investors.tatamotors.com/pdf/material.pdf>

## RISK MANAGEMENT

The Board takes responsibility for the overall process of risk management throughout the organisation. Through an Enterprise Risk Management programme, our business units and corporate functions address risks through an institutionalized approach aligned to our objectives. This is facilitated by corporate audit. The Business risk is managed through cross-functional involvement and communication across businesses. The results of the risk assessment are presented to the senior management.

The Risk Management Committee reviews business risk areas covering operational, financial, strategic and regulatory risks.

## INTERNAL FINANCIAL CONTROL SYSTEMS AND ADEQUACY

The Company's internal control systems are commensurate with the nature of its business, the size and complexity of its operations and such internal financial controls with reference to the Financial Statements are adequate.

*Refer MD&A para Internal Control Systems and Their Adequacy for detail analysis.*

## HUMAN RESOURCES

*Refer MD&A para Human Resources / Industrial Relations for detail analysis.*

## DIVERSITY AND INCLUSION

Diversity and Inclusion at workplace helps nurture innovation, by leveraging the variety of opinions and perspectives coming from employees with diverse age, gender and ethnicity. The Company has organized a series of sensitisation and awareness campaigns, to help create an open mind and culture to leverage on the differences. The network of Women@Work and the Diversity Council has widened to location councils as we move along the journey. Women development and mentoring programme have increased, with clear focus on nurturing their career journeys, to help the Company build a pipeline of women leaders in near future.

The Company employed 6.14% women employees in FY 2019-20 vis-à-vis 5.44% in FY 2018-19.

## PREVENTION OF SEXUAL HARASSMENT

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on Prevention, Prohibition and Redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. Internal Complaints Committee ('ICC') is in place for all works and offices of the Company to redress complaints received regarding sexual harassment.

During the FY 2019-20, the Company organized 39 workshops to create awareness on this topic. 12 complaints on sexual harassment were received during the year. The investigation on 11 cases was completed and necessary actions have been taken. One complaint received in February 2020, is still being investigated, as the enquiry is on hold due to the COVID-19 pandemic.

## Tata Motors Limited Employees Stock Option Scheme ('the Scheme')

During FY 2019-20, there has been no change in the Scheme. There were no Options granted or vested or any shares issued on vesting during the year. There were 5,89,530 options which got forfeited / lapsed during the year. The Scheme is in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. Appropriate disclosures prescribed under the said Regulations with regard to the Scheme are available on the Company's website URL: <https://www.tatamotors.com/investors/ESOP/>

## PARTICULARS OF EMPLOYEES

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



Statement containing particulars of Top 10 employees and the employees drawing remuneration in excess of limits prescribed under Section 197 (12) of the Act read with Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in the Annexure forming part of this report. In terms of proviso to Section 136(1) of the Act, the Report and Accounts are being sent to the Shareholders, excluding the aforesaid Annexure. The said Statement is also open for inspection. Any member interested in obtaining a copy of the same may write to the Company Secretary. None of the employees listed in the said Annexure are related to any Director of the Company.

## BUSINESS RESPONSIBILITY REPORT

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

## SAFETY & HEALTH – PERFORMANCE & INITIATIVES

With continuation of Safety Excellence Journey at the Company, the Organisation has achieved Fatality Free Year 2019-20.

For FY 2019-20, the Company's 7 Manufacturing Plants in India, Safety Performance showed healthy improvement with Total Recordable Case Frequency Rate ('TRCFR') being 0.40, against the target of 0.45 with the reduction of 33% over last year. Lost time injury frequency rate (LTIFR) for the Company's 7 plants in FY 2019-20 was 0.09 as against 0.1 last year.

Various proactive initiatives taken by the organisation which involves proactive monitoring of Leading indicators (also known as Proactive Safety Index), introduction of focused training sessions on Risk Perception and Behaviour Based Safety & I-care, for Shop floor employees. Also, special focus was given on Driving and Road Safety. Training and Capability Building across organisation continued to be considered as a key element of Safety Processes for all Employees, Contractors and Vendors. The organisation achieved 6.3 Training man-hours (up by 31%) per employee and 8.1 Training man-hours (up by 41%) per Contractor employee in 2019-20 for 7 Manufacturing Plants.

There is a robust governance mechanism for safety, health, environment & sustainability with Board level Safety, Health and Sustainability ('SHS') committee being an apex review body. The reviews happen at multi levels starting from quarterly review by SHS Committee of Board, to monthly reviews by BU Heads which percolates down to factory level by Apex committee, sub-committee and Factory Implementation committee. Also for Non-manufacturing areas, focused monthly reviews happen at regional offices with Customer Service and Warehouse teams.

After COVID-19 infection cases appeared in India, the Company initiated a robust response to safeguard employees at its plants, offices and warehouses. Social distancing and sanitization norms were established as per World Health Organisation (WHO) guidelines and comprehensive employee awareness programmes were initiated. Post the commencement of lockdown, the Management has stayed in touch with the employees through health surveys, virtual meetings and social media platforms. The Management have also extended support to employees and families through 24 hour medical helpline.

## SUSTAINABILITY

The Company has always been conscious of the need to conserve energy in its Manufacturing Plants. This is achieved through optimized

consumption of fossil fuels, improvements in energy productivity, leading to climate change mitigation and reduction in operational costs. The Company is also signatory to RE100 - a collaborative, global initiative of influential businesses committed to 100% renewable electricity.

In FY 2019-20 Company consumed 88.71 million units of renewable electricity in its operations (21.6% of total power consumption), compared to 94.2 million units in FY 2018-19 (16.12% of total power consumption). The Company generates renewable energy in-house through roof-top solar PV, off-site captive wind farms and through procurement of off-site wind and solar power through "Power Purchase Agreements" (PPA's).

In FY 2019-20 in-house RE capacity was enhanced by 2MWp Roof-top Solar PV (photovoltaic) installation each at Lucknow and Pimpri Plants and 0.5MWp at Chinchwad Pune, 3.69 MWp Roof-top Solar PV installation at Jamshedpur, and 1 MWp Roof-top Solar PV installation each at Pantnagar and Dharwad. In FY 2019-20 Company conserved a total of 8,65,566 m<sup>3</sup> of water, which is 16.4% of total water consumption as compared to 13.8% in FY 2018-19. The Company continued its "Value from Hazardous Waste" initiative across Plants in FY 2019-20, aimed at diverting hazardous waste from landfill / incineration at approved sites and instead derive value from the same. This initiative aims to ultimately achieve 'Zero Waste to Landfill' status from manufacturing operations. Specific hazardous waste sent to Authorised Treatment Storage & Disposal Facilities (landfill and incineration) was lower by 19.3% over FY 2018-19 and hazardous waste re-cycled increased by 13% over FY 2018-19.

## CORPORATE SOCIAL RESPONSIBILITY

The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year in the format prescribed in the Companies (CSR Policy) Rules, 2014 are set out in **Annexure - 2** of this Report. The Policy is available on Company's website at URL: <https://investors.tatamotors.com/pdf/csr-policy.pdf>

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3) (m) of the Act, read along with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as **Annexure - 3**.

## EXTRACT OF ANNUAL RETURN

Pursuant to Sections 92 & 134(3) of the Act and Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return in Form MGT-9 is provided in **Annexure-4** to this Report and is also available on the Company's website.

URL: <https://www.tatamotors.com/investors/download-library/>

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

### Appointment / Re-appointment

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

The disclosures required pursuant to Regulation 36 of the SEBI Listing Regulations and the SS- 2 on General Meeting are given in the Notice of Annual General Meeting ('AGM'), forming part of the Annual Report.

## Independent directors

In terms of Section 149 of the Act and the SEBI Listing Regulations, Mr Om Prakash Bhatt, Ms Hanne Sorensen and Ms Vedika Bhandarkar are the Independent Directors of the Company as on date of this report.

All Independent Directors of the Company have given declarations under Section 149(7) of the Act, that they meet the criteria of independence as laid down under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations. In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence. The Independent Directors of the Company have undertaken requisite steps towards the inclusion of their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs, in terms of Section 150 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

As reported in the previous year, Ms Vedika Bhandarkar (DIN:00033808) was appointed as Additional and Independent Director on the Board for a tenure of 5 years with effect from June 26, 2019. Pursuant to Section 161 of the Act, read along with Rules framed thereunder, the Members had vide Ordinary Resolution approved at the AGM held on July 30, 2019, the appointment of Ms Bhandarkar as an Independent Director.

In the opinion of the Board, the Independent Directors possess the requisite expertise and experience and are persons of high integrity and repute. They fulfill the conditions specified in the Companies Act, 2013 ('the Act') as well as the Rules made thereunder and are independent of the management.

Mr Nasser Munjee, Mr Vinesh Kumar Jairath and Ms Falguni Nayar completed their tenure as Independent Directors of the Company on July 30, 2019. The Board had placed on record its appreciation for their valuable contribution and guidance during their tenure as Independent Director.

## Key Managerial Personnel

In terms of Section 203 of the Act, the Key Managerial Personnel (KMPs) of the Company during FY 2019-20 are:

- Mr Guenter Butschek, Chief Executive Officer and Managing Director
- Mr Satish Borwankar, Executive Director and Chief Operating Officer\*
- Mr Pathamadai Balachandran Balaji, Group Chief Financial Officer
- Mr Hoshang Sethna, Company Secretary

\* Mr Borwankar, ED and COO superannuated on July 15, 2019. The Board of Directors had placed on record its appreciation for the invaluable contributions made by Mr Borwankar during his tenure.

## CORPORATE GOVERNANCE

Pursuant to Regulation 34 of the Listing Regulations, Report on Corporate Governance along with the certificate from a Practicing Company Secretary certifying compliance with conditions of Corporate Governance is annexed to this Report.

## MEETINGS OF THE BOARD

During the year, the Board of Directors met 7 times. For details, please refer to the Report on Corporate Governance, which forms part of this Annual Report.

## COMMITTEES OF THE BOARD

The Committees of the Board focus on certain specific areas and make informed decisions in line with the delegated authority.

The following Committees constituted by the Board function according to their respective roles and defined scope:

- Audit Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee
- Stakeholders' Relationship Committee
- Risk Management Committee
- Safety Health and Sustainability Committee

Details of composition, terms of reference and number of meetings held for respective committees are given in the Report on Corporate Governance, which forms a part of this Report. Further, during the year under review, all recommendations made by the various committees have been accepted by the Board.

## BOARD EVALUATION

The annual evaluation process of the Board of Directors, individual Directors and Committees was conducted in accordance with the provision of the Act and the SEBI Listing Regulations.

The Board evaluated its performance after seeking inputs from all the Directors on the basis of criteria such as the Board composition and structure, effectiveness of Board processes, information and functioning, etc. The performance of the Committees was evaluated by the Board after seeking inputs from the committee members on the basis of criteria such as the composition of committees, effectiveness of committee meetings, etc. The above criteria are broadly based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India.

The Chairman of the Board had one-on-one meetings with the Independent directors and the Chairman of NRC had one-on-one meetings with the Executive and Non-Executive, Non-independent directors. These meetings were intended to obtain Directors' inputs on effectiveness of the Board/Committee processes.

The Board and the NRC reviewed the performance of individual Directors on the basis of criteria such as the contribution of the individual Director to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

In a separate meeting of independent directors, performance of Non-Independent Directors and the Board as a whole was evaluated. Additionally, they also evaluated the Chairman of the Board, taking into account the views of Executive and Non-executive Directors in the aforesaid meeting. The Board also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. The above evaluations were then discussed in the Board meeting and performance evaluation of Independent directors was done by the entire Board, excluding the Independent Director being evaluated.

## FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

*Refer CG Report para on Familiarisation Programme for detail analysis.*

## POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

The Company's policy on Directors' appointment and remuneration and other matters provided in Section 178(3) of the Act (salient features) has been briefly disclosed hereunder and in the Report on Corporate Governance, which is a part of this Report.

## Selection and procedure for nomination and appointment of Directors

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

The NRC conducts a gap analysis to refresh the Board on a periodic basis, including each time a Director's appointment or re-appointment is required. The NRC reviews and vets the profiles of potential candidates vis-à-vis the required competencies, undertakes due diligence and meeting potential candidates, prior to making recommendations of their nomination to the Board.

### Criteria for determining qualifications, positive attributes and independence of a Director

In terms of the provisions of Section 178(3) of the Act, and Regulation 19 of the SEBI Listing Regulations, the NRC has formulated the criteria for determining qualifications, positive attributes and independence of Directors, the key features of which are as follows:

- **Qualifications** – The Board nomination process encourages diversity of thought, experience, knowledge, age and gender. It also ensures that the Board has an appropriate blend of functional and industry expertise.
- **Positive Attributes** - Apart from the duties of Directors as prescribed in the Act the Directors are expected to demonstrate high standards of ethical behaviour, communication skills and independent judgment. The Directors are also expected to abide by the respective Code of Conduct as applicable to them.
- **Independence** - A Director will be considered independent if he / she meets the criteria laid down in Section 149(6) of the Act, the Rules framed thereunder and Regulation 16(1)(b) of the SEBI Listing Regulations.

The Directors affirm that the remuneration paid to Directors, KMPs and employees is as per the Remuneration Policy of the Company.

The said policy is also available on the Company's website URL: <https://investors.tatamotors.com/pdf/directors-appointment-remuneration.pdf>

## VIGIL MECHANISM

The Company believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour. In line with the Tata Code of Conduct ('TCOC'), any actual or potential violation, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the employees in pointing out such violations of the TCOC cannot be undermined.

Pursuant to Section 177(9) of the Act, a vigil mechanism was established for directors and employees to report to the management instances of unethical behaviour, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy. The Vigil Mechanism provides a mechanism for employees of the Company to approach the Chairperson of the Audit Committee of the Company for redressal. No person has been denied access to the Chairperson of the Audit Committee. In addition to the above, the employee also has an option to approach the Chief Ethics Counsellor (CEC).

The policy of vigil mechanism is available on the Company's website at URL: <https://investors.tatamotors.com/pdf/whistle-blower-policy.pdf>

## AUDIT

### Statutory Audit

M/s B S R & Co. LLP, Chartered Accountants (ICAI Firm No. 101248W/W-100022), the Statutory Auditors of the Company, hold office until the conclusion of Seventy Seventh AGM to be held in the year 2022. Pursuant to Section 141 of the Act, the Auditors have represented that they are not disqualified and continue to be eligible to act as the Auditor of the Company.

The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the ensuing AGM. The Statutory Auditors were present in the last AGM.

The Report of the Statutory Auditor forming part of the Annual Report, contains an emphasis of matter on 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 Companies Act, 2013 by ₹11.82 crores.

The management's response is as follows:

For the year under review, Mr Guenter Butschek, CEO and Managing Director, was paid managerial remuneration of ₹16.48 crores, as per the terms of his appointment for a tenure of 5 years effective February 15, 2016, as agreed with him and also as approved by the members vide special resolution at the AGM held on August 9, 2016. In furtherance to the said members' approval and pursuant to the provisions of Section 197 read with Schedule V of the Act, members' approval is now being sought for (a) ratifying the payment of Minimum Remuneration to Mr Butschek due to losses incurred during the year under review and the consequent waiver of recovery of a part of the minimum remuneration that is in excess of the prescribed limit; and (b) for payment of Minimum Remuneration to Mr Butschek, in case of inadequacy of profits for FY 2020-21. Members attention is drawn to item nos. 4 and 5 of the Notice of AGM, forming part of the Annual Report.

The Report of the Statutory Auditor forming part of the Annual Report on Internal Financial Controls, also contains a qualification, 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 the performance of various process level and management review controls.

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

The management's response is as follows:

During FY 2019-20, we conducted an assessment of the effectiveness of the Internal Control over Financial Reporting and have determined that our Internal Control over Financial Reporting as at March 31, 2020 is not effective for Tata Motors Limited, related to preservation of documentary evidence of the input/output parameters used in extracting system generated reports, to validate the completeness and accuracy of information used in various process level and management review controls. These reports could potentially cause the financial information/disclosure in the financial statements to be materially misstated if not reviewed carefully. However, the material weakness did not result in material misstatements to the annual financial statements.

The Statutory Auditor's report does not contain any other qualifications, reservations, adverse remarks or disclaimers.

### Branch Audit

Members' approval is being sought vide item No. 6 of the Notice, for authorizing the Board of Directors to appoint Branch Auditors for the purpose of auditing the accounts maintained at the Branch Offices of the Company abroad.

### Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Director appointed M/s Parikh & Associates, (Registration No. - P1988MH009800), a firm of Company Secretaries in Practice to conduct the Secretarial Audit of the Company for year ended March 31, 2020. The Report of the Secretarial Audit is annexed herewith as **Annexure - 5**. The said Secretarial Audit Report does not contain any qualifications, reservations, adverse remarks or disclaimers.

### Cost Audit

As per Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a Cost Accountant. The Board of Directors of the Company has on the recommendation of the Audit Committee, approved the appointment of M/s Mani & Co., a firm of Cost Accountants in Practice (Registration No.000004) as the Cost Auditors of the Company to conduct cost audits for relevant products prescribed under the Companies (Cost Records and Audit) Rules, 2014 for the year ending March 31, 2020. The Board on recommendations of the Audit Committee have approved the remuneration payable to the Cost Auditor, subject to ratification of their remuneration by the Members at the forthcoming AGM. Please refer to item no.7 of the Notice.

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

The cost accounts and records of the Company are duly prepared and maintained as required under Section 148(1) of Act.

## OTHER DISCLOSURES

### PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/ arrangements/ transactions entered by the Company during the FY 2019-20 with related parties were on an arm's length basis and in the ordinary course of business. There were no material related party transactions (RPTs) undertaken by the Company during the year that require Shareholders' approval under Regulation 23(4) of the SEBI Listing Regulations or Section 188 of the Act. The approval of the Audit Committee was sought for all RPTs. Certain transactions which were repetitive in nature were approved through omnibus route. All the transactions were in compliance with the applicable provisions of the Act and SEBI Listing Regulations.

Given that the Company does not have any RPTs to report pursuant to Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 in Form AOC-2, the same is not provided. The details of RPTs during FY 2019-20, including transaction with person or entity belonging to the promoter/ promoter Group which hold(s) 10% or more shareholding in the Company are provided in the accompanying financial statements.

During the FY 2019-20, the Non-executive Directors of the Company had no pecuniary relationship or transactions with the Company other than sitting fees and reimbursement of expenses, as applicable.

The Policy is available on the Company's website URL: <https://investors.tatamotors.com/pdf/rpt-policy.pdf>

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

As per Section 186, the details of Loans, Guarantees or Investments made during FY2019-20 are given below:

Name of Companies	Nature of Transactions	(₹ in crores)	
		Loans	Investment
TMF Holdings Limited	Equity Infusion	-	150.00
TMF Holdings Limited	Call option exercised for Compulsorily convertible preference shares: Series B	-	304.00
Brabo Robotics and Automation Limited	Equity Infusion	-	13.00
Tata Hispano Carrocera	Loan	7.78	-
TPI Singapore	Loan	SGD 1,00,000	-
Tata Motors European Technical Centre PLC	Loan	GBP 22,50,000	-
Tata Motors European Technical Centre PLC	Loan	GBP 20,00,000	-

During FY 2019-20, the Company has not given guarantee to any of its subsidiaries, joint ventures, associates companies and other body corporates and persons.

## DEPOSITS FROM PUBLIC

The Company has not accepted any deposits from public during the year under review, and as such, no amount of principal or interest on deposits from public was outstanding as on the date of the balance sheet, except for unclaimed and unpaid deposits pertaining to previous years.

## DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost, secretarial auditors and external agencies, including audit of internal controls over financial reporting by the Statutory Auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2019-20.

Accordingly, pursuant to Section 134(5) of the Act, the Board of Directors, to the best of their knowledge and ability, confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- they have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;
- they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively
- they have devised proper systems to ensure compliance with to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.



*Refer MD&A para on 'Internal Control Systems and their Adequacy' for detail analysis.*

## SECRETARIAL STANDARDS

The Company has devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India and that such systems are adequate and operating effectively.

## DIVIDEND DISTRIBUTION POLICY

Pursuant to Regulation 43A of SEBI Listing Regulations, the Board of Directors of the Company have formulated a Dividend Distribution Policy ('the Policy').

The Policy is annexed to this Report as **Annexure - 6** and is also available on the Company's website URL: <https://investors.tatamotors.com/pdf/dividend-distribution-policy.pdf>

## INVESTOR EDUCATION AND PROTECTION FUND

*Refer CG Report para on 'Transfer of unclaimed / unpaid amounts / shares to the Investor Education and Protection Fund (IEPF)' for detail analysis.*

## GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following matters as there were no transactions on these items during the year under review:

- There are no significant material orders passed by the Regulators or Courts or Tribunal, which would impact the going concern status of the Company and its future operation. However, Members attention is drawn to the Statement on Contingent Liabilities and Commitments in the Notes forming part of the Financial Statement.
- No fraud has been reported by the Auditors to the Audit Committee or the Board.
- There has been no change in the nature of business of the Company.

## ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to all of the Company's employees for their contribution towards the Company's performance. The Directors would also like to thank the shareholders, employee unions, customers, dealers, suppliers, bankers, governments and all other business associates for their continuous support to the Company and their confidence in its management.

On behalf of the Board of Directors

**N CHANDRASEKARAN**

Chairman

(DIN: 00121863)

Mumbai, June 15, 2020