MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY OVERVIEW

INDIA

The year 2017, for India was marked by a number of key structural initiatives to build strength across macro-economic parameters for sustainable growth in the future. The growth in the first half of the year suffered despite global tailwinds. However, the weakness seen at the beginning of 2017, seems to have bottomed out as 2018 set in. Currently, the economy seems to be on the path to recovery, with indicators of industrial production, stock market index, auto sales and exports having shown some uptick. India has recovered from the effects of demonetization and the introduction of the Goods and Service Tax.

As per the advance estimates, in Fiscal 2018, India's GDP increased to 6.7% as compared to an increase of 7.1% in Fiscal 2017. India's GDP growth bottomed out in the middle of 2017 after slowing for five consecutive quarters, and has since improved significantly, with momentum carrying over into 2018 on the back of a recovery in investment. Although investment growth was still moderately lower in 2017 than in 2016, high-frequency indicators suggest that it accelerated into 2018. The temporary disruptions caused by the implementation of the Goods and Services Tax dissipated by mid-2017, and manufacturing output and industrial production have continued to firm since then.

Currently, India is the world's seventh-largest economy at USD 2.2 trillion, sitting between France and Italy. India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by strong democracy and partnerships.

WORLD

2017 is the year which saw global economy accelerating although UK economy is evidently slowing, while the US economy continues to grow at a modest pace. The Chinese economy continues to grow strong. However, the Euro zone and Japan shows sign of acceleration, as do many of the major emerging economies such as Turkey and Russia. The US economy grew at 2.7% in Fiscal 2018, supported by broad-based strength in domestic demand, especially investment. The economy may be near its productive potential, as both capacity utilisation and the employment rate are moving toward peaks attained prior to the financial crisis.

During 2017, prices of base metal also strengthened, with the strong growth in infrastructure sector in major countries around the globe. Crude prices remained range bound in major part of 2017 although it started to give a signal of upward breakout towards fourth quarter of Fiscal 2018. Brent crude started sharp rally in the middle of 2017 around $44/bbl and has rallied all the way to $79/bbl. The tensions in the Middle East and West Asia will only add to the increase in oil prices.

The Eurozone grew at its faster rate in a decade in 2017, by 2% highest since 2007, reflecting the strong consumption, investment, and exports. Amid continued monetary policy stimulus, growth is projected to be 2.1% in 2018. The Eurozone is in the midst of a broad cyclical expansion, after years of economic stagnation and rolling crisis, fueled by recovery confidence and monetary stimulus from the European Central Bank. The UK by contrast, has grown by 1.8% in 2017, down from 2016's 1.9% rate and the weakest expansion since 2012, mainly reflecting the impact of higher inflation in the wake of the 2016 Brexit vote and weaker investment from Companies due to uncertainty of future trade arrangements. The United Kingdom is expected to grow at 1.4% in 2018. The economies in Spain, Italy and France has shown better prospects with GDP rate. Germany accounted for 28% of the Euro area economy with steady growth of 2% GDP.

China registering growth of 6.9% in 2017 and had remained solid this year. Activity continues to shift to consumption, while investment growth rates remain well below those in recent years. Industrial production has stabilized following significant cuts in overcapacity sectors implemented over the past two years. However, according to International Monetary Fund (IMF), China's debt has ballooned to 234% of the total output. Supported by deepening macro-economic stability and gradual monetary loosening, Russia's economy continued its recovery in 2017, mainly driven by non-tradable sectors. Growth momentum towards the end of 2017 slowed down but picked up in Fiscal 2018. Russia's growth prospect remain modest.

Growth in Japan reached 1.7% in 2017, underpinned by supportive financial conditions and strong exports, but contracted at the beginning of this year. Nonetheless, unemployment is falling to levels not seen since the 1990s. South Africa had GDP increase. This is mainly due to change in the political leadership, which has demonstrated strong commitment to strengthening institutional integrity-especially state owned enterprises- reaching out both to business and labor, and pronouncing the intention to build a new social compact in the country.

(Source : Global Economic Prospects, Wold Bank)

Business Summary

The Company primarily operates in the automotive segment which include all activities relating to the development, design, manufacture, assembly and sale of vehicles including vehicle financing, as well as sale of related parts and accessories. Through Jaguar Land Rover business, the Company operates in the premium car market segment wholesaling vehicles in developed markets such as the United Kingdom, the United States, Europe and China as well as several emerging markets such as Russia, Brazil and South Africa amongst others. The Company expects to focus on profitable growth opportunities in its global automotive business through new products and market expansion. Within automotive operations, the Company continues to focus on integration and synergy through sharing of resources, platforms, facilities for product development and manufacturing, sourcing strategy and mutual sharing of best practices.

The Company's business segments are (i) automotive operations and (ii) all other operations. The Company provide financing for vehicles sold by dealers in India. The vehicle financing is intended to encourage sales of vehicles by providing financing to the dealers' customers and as such is an integral part of the Company's automotive business. The Company's automotive operations are further subdivided into Tata and other brand vehicles (including vehicle financing) and Jaguar Land Rover. Tata and other brand vehicles consist of vehicles manufactured under Tata, Daewoo and Fiat brands, and exclude vehicles manufactured under Jaguar Land Rover brands.

The Company's other operations business segment mainly includes information technology services, and machine tools and factory automation services.

The Company has decided to sell stake of the various non-core investments to ensure that it wins decisively in the future. Slump sale of value added Segment of Defence vehicles business and specialized Defence projects (excluding FICV) to Tata Advanced Systems Limited (TASL). Sale of Aerospace business unit of TAL Manufacturing Solutions Ltd (TAL) via 100% Share sale to TASL. The Company has also classified its investment in Tata Technologies Ltd, Tata Hitachi Construction Machinery Company Private Ltd, Tata Steel Ltd and Tata Chemicals as held for sale / current investments.

Automotive Operations

Automotive operations is the Company's most significant segment, which include:

- activities relating to the development, design, manufacture, assembly and sale of vehicles as well as related spare parts and accessories;
- distribution and service of vehicles; and
- financing of the Company's vehicles in certain markets.

The Company's consolidated total sales (including international business sales and Jaguar Land Rover sales, excluding Chery Jaguar Land Rover) for Fiscal 2018 and 2017 are set forth in the table below:

	Fiscal 2018		Fiscal 2017	
	Units	%	Units	%
Passenger cars	3,19,492	26.2%	3,10,171	28.4%
Utility vehicles	4,45,080	36.4%	3,85,480	35.3%
Light Commercial Vehicles	2,85,857	23.4%	2,16,222	19.8%
Medium and Heavy Commercial Vehicles	1,70,695	14.0%	1,79,875	16.5%
Total	**12,21,124**	**100.0%**	**10,91,748**	**100.0%**

The automotive operations segment is further divided into (i) Tata and other brand vehicles (including vehicle financing) and (ii) Jaguar Land Rover.

Tata and other brand vehicles (including vehicle financing)

India is the primary market for Tata and other brand vehicles (including vehicle financing). During Fiscal 2018, there was a robust and steady pace of economic growth in the geographic markets in which the Tata and other brand vehicles segment has operations.

Fiscal 2018 was a milestone year for the Indian automotive industry, as it overtook Germany to become the 4th largest global automotive market. The sales volume built upon last year's momentum to register a double-digit growth - first time since Fiscal 2012 - helped by improvement in the rural economy and partly due to demonetization-influenced low base in the second half of Fiscal 2017.

The following table sets forth the Company consolidated total sales of Tata and other brand vehicles:

	Fiscal 2018		Fiscal 2017	
	Units	%	Units	%
Passenger cars	1,69,008	25.0%	1,40,887	25.3%
Utility vehicles	50,266	7.4%	20,018	3.6%
Light Commercial Vehicles	2,85,857	42.3%	2,16,222	38.8%
Medium and Heavy Commercial Vehicles	1,70,695	25.3%	1,79,875	32.3%
Total	**6,75,826**	**100.0%**	**5,57,002**	**100.0%**

The Company's overall sales of Tata and other brand vehicles increased by 21.3% to 6,75,826 units in Fiscal 2018 from 5,57,002 units in Fiscal 2017, and the revenue (before inter-segment elimination) increased by 18.0% to ₹ 66,620.38 crores during Fiscal 2018, compared to ₹56,448.48 crores in Fiscal 2017.

Vehicle Sales in India

Automobile sales across categories domestically rose by 10.1% in Fiscal 2018. Sale of passenger vehicles grew by 7.3% in Fiscal 2018, as compared to Fiscal 2017, being increase in all categories- passenger cars and UV's.

The following table sets forth the Company's (on standalone basis) sales, industry sales and relative market share in vehicle sales in India. Passenger vehicles includes passenger cars and utility vehicles. Commercial vehicles include Medium & Heavy Commercial Vehicles, Light Commercial Vehicles, Intermediate & Small commercial vehicles & Pickups and CV Passenger vehicles.

	Industry Sales			Company Sales			Market Share	
	Fiscal 2018	Fiscal 2017	Growth	**Fiscal 2018**	Fiscal 2017	Growth	**Fiscal 2018**	Fiscal 2017
	Units		%	Units		%		%
Commercial Vehicles[1]	8,87,316	7,29,360	21.7%	3,99,821	3,24,175	23.3%	45.1%	44.4%
Passenger Vehicles[2]	32,55,010	30,32,910	7.3%	1,84,743	1,55,260	19.0%	5.7%	5.1%
Total	**41,42,326**	**37,62,270**	**10.1%**	**5,84,564**	**4,79,435**	**21.9%**	**14.1%**	**12.7%**

Source:

Society of Indian Automobile Manufacturers report and Company Analysis

[1] Commercial vehicles include V2 van sales.

[2] Passenger vehicles does not include Jaguar Land Rover-branded cars.

Passenger Vehicles in India

Sales in the passenger vehicles industry in India increased by 7.3% in Fiscal 2018. Utility Vehicles sales witnessed significant growth during Fiscal 2018 due to continued consumption demand and strong rural growth.

Reflecting the growth in the Indian passenger vehicle sector, the Company's passenger vehicle sales in India increased by 19.0% to 184,743 units in Fiscal 2018 from 155,260 units in Fiscal 2017, due to new product offerings by the Company viz. Nexon, Tigor, Hexa, Tiago etc.

	Industry Sales			Company Sales			Market Share	
	Fiscal 2018	Fiscal 2017	Growth	**Fiscal 2018**	Fiscal 2017	Growth	**Fiscal 2018**	Fiscal 2017
	Units		%	Units		%	%	%
Passenger Cars	21,73,380	2,104,976	3.2%	1,34,860	1,36,479	(1.2%)	6.2%	6.5%
UV & Vans[1]	10,81,630	9,27,934	16.6%	49,883	18,781	165.6%	4.6%	2.0%
Total[2]	**32,55,010**	**30,32,910**	**7.3%**	**1,84,743**	**1,55,260**	**19.0%**	**5.7%**	**5.1%**

Source:

Society of Indian Automobile Manufacturers report and Company Analysis

[1] Excludes V2 van sales.

[2] Total industry numbers includes sale in other segments.

The Company's passenger vehicles category consists of: (i) passenger cars and (ii) utility vehicles. The Company sold 134,860 units in the passenger car category in Fiscal 2018, representing a marginal decrease of 1.2% compared to 136,479 units in Fiscal 2017. However, in the utility vehicles category, the Company sold 49,883 units in Fiscal 2018, representing an increase of 165.6% from 18,781 units in Fiscal 2017. During Fiscal 2018, the Company launched, Nexon, a compact SUV and sold 27,111 units. The Tata Tiago, Hexa and Tata Tigor were launched in Fiscal 2017. All these new product launches has helped Company increasing its market share and volumes in passenger vehicles category. Dealer network upgradation and working capital availability were prevailing constrains in passenger vehicle sales and the Company has been working with THF Holding Limited, its financing arm and other banks to plug these gaps.

Commercial Vehicles in India

The following table sets forth the Company's commercial vehicle sales, industry sales and relative market share in commercial vehicle sales in India.

	Industry Sales			Company Sales			Market Share	
	Fiscal 2018	Fiscal 2017	Growth	**Fiscal 2018**	Fiscal 2017	Growth	**Fiscal 2018**	Fiscal 2017
	Units		%	Units		%	%	%
M&HCV	247,659	211,198	17.3%	134,455	116,403	15.5%	54.3%	55.1%
ILCV[1]	103,131	80,625	27.9%	46,343	34,166	35.6%	44.9%	42.4%
SCV & Pickups	421,084	324,090	29.9%	166,746	121,411	37.3%	39.6%	37.5%
CV Passenger	115,442	113,447	1.8%	52,277	52,195	0.2%	45.3%	46.0%
Total	887,316	729,360	21.7%	399,821	324,175	23.3%	45.1%	44.4%

Source:

Society of Indian Automobile Manufacturers report and Company Analysis

[1] LCVs include V2 van sales

Industry sales of commercial vehicles increased by 21.7% to 887,316 units in Fiscal 2018 from 729,360 units in Fiscal 2017. Industry sales in the medium and heavy commercial vehicle segment has grown by 17.3% at 247,659 units in Fiscal 2018, as compared to 211,198 in Fiscal 2017. The M&HCV industry has shown signs of recovery since July 2017. The implementation of GST, restrictions on overloading and infrastructure growth supported by the Government has boosted the demand. Industry sales of ILCV reported an increase of 27.9% to 103,131 units in Fiscal 2018, from 80,625 units in Fiscal 2017. Industry sales of SCV & Pickups reported an increase of 29.9% to 421,084 units in Fiscal 2018, from 324,090 units in Fiscal 2017. The ILCV & SCV industry growth is mainly due to high investments in e-commerce segments which is driving demand for last mile transportation requirements, growth in replacement demand, improved financing and recovery in rural demand. Industry sales of CV Passenger reported a marginal increase of 1.8% to 115,442 units in Fiscal 2018, from 113,447 units in Fiscal 2017 due to muted demand from STUs.

The sales of the Company's commercial vehicles in India outperformed the industry with a growth rate of 23.3% to 399,821 units in Fiscal 2018 from 324,175 units in Fiscal 2017. The Company's sales in the M&HCV category increased by 15.5% to 134,455 units in Fiscal 2018, as compared to sales of 116,403 units in Fiscal 2017. The Company's sales in the ILCV segment increased by 35.6% to 46,343 units in Fiscal 2018, from 34,166 units in Fiscal 2017. The sales in SCV & Pickups segment increased by 37.3% to 166,746 units in Fiscal 2018 from 121,411 units in Fiscal 2017. However, the CV Passenger segment remained flat with a growth of 0.2% to 52,277 units in Fiscal 2018 from 52,195 units in Fiscal 2017. There has been positive customer response to the superior range of BS4 vehicles complemented by the success of the Company's innovative SCR technology led to this growth. The new products introduced like the Ultra range trucks, ACE XL range have seen very strong response.

Tata and other brand vehicles — International Markets

The Company's exports (on standalone basis) de-grew by 18.4% to 52,404 units in Fiscal 2018 as compared to 64,221 units in Fiscal 2017. The reduction was on account of contraction in TIV (Total Industry Volume) in few key markets. The increase of exports to Nepal provided an opportunity for the Company. The launch of new models in the Middle East and Africa region, along with the opening of new markets in these regions, contributed to an increase in international sales volumes. The Company's top five (quantity terms) export destinations for vehicles manufactured in India - Bangladesh, Nepal, Sri Lanka, South Africa and Indonesia accounted for approximately 81% of the exports of commercial vehicles and passenger vehicles.

In Fiscal 2018, Tata Daewoo Commercial Vehicle Co. Ltd or TDCV's overall vehicles sales were 8,870 units compared to 10,317 units in fiscal 2017, a drop of 14.0%. The domestic sales in South Korea at 6,859 units in Fiscal 2018, reduced by 22.0% as compared to 8,795 units of Fiscal 2017, primarily due to lower industry volumes and aggressive discounting and marketing strategies of importers considering their higher ordering level. The combined market share was 26.5% as compared to 29.6% in Fiscal 2017. The export market scenario continued to remain challenging in Fiscal 2018 with factors like local currency depreciation against the US Dollar, continuing statutory regulations to reduce imports, the slowdown in Chinese economy impacting commodity exporting countries and increased dealer inventory. However, TDCV could increase its export sales to 2,011 units, 32.1% higher compared to 1,522 units in Fiscal 2017 primarily due to better sales in key markets such as Algeria & Vietnam through new distributors and higher focus on KD shipments to counter CBU import regulations.

Tata and other brand vehicles — Sales, Distribution and Support

The Company's sales and distribution network in India as at March 2018 comprised approximately 4,931 contact points for sales and service for its passenger and commercial vehicle business. The Company's subsidiary, TML Distribution Company Limited, or TDCL, acts as a dedicated distribution and logistics management Company to support the sales and distribution operations of its vehicles in India and has set up stocking points at some of Company's plants and at different places throughout India. The Company believes this has improved the efficiency of its selling and distribution operations and processes. The Company uses a network of service centers on highways and a toll-free customer assistance center to provide 24-hour roadside assistance, including replacement of parts, to vehicle owners.

TDCL helps the Company improve its planning, inventory management, transport management and timing of delivery. The Company has customer relations management system, or CRM, at all of its dealerships and offices across the country, which supports users both at its Company and among its distributors in India and abroad. The Company believes that the reach of its sales, service and maintenance network provides it with a significant advantage over its competitors.

The Company markets its commercial and passenger vehicles in several countries in Africa, the Middle East, South East Asia, South Asia, Australia, Latin America, Russia and the Commonwealth of Independent States countries. The Company has a network of distributors in all such countries, where it exports its vehicles. Such distributors have created a network of dealers and branch offices and facilities for sales and after-sales servicing of the Company's products in their respective markets. The Company has also stationed overseas resident sales and service representatives in various countries to oversee its operations in the respective territories.

TML has a 100% subsidiary TMF Holdings Ltd which in turn has two operating Companies Tata Motors Finance Ltd and Tata Motors Finance Solutions Ltd. Through Tata Motors Finance Ltd, it provides financing services to purchasers of its vehicles through independent dealers, who act as the Company's agents for financing transactions, and through the Company's branch network. Tata Motors Finance Solutions Ltd provides funding in the Used Vehicle Finance space and is also in the Business of extending loans to TML Dealers and Vendors. Revenue from the Company's vehicle financing operations (on consolidated basis as per Ind AS) increased by 8.4% to ₹2,632.18 crores in Fiscal 2018 as compared to ₹2,429.23 crores in Fiscal 2017, which was mainly driven by growth in the commercial vehicle segment.

TMFL disbursed ₹15,406 crores and ₹9,298 crores in vehicle financing during Fiscal 2018 and 2017, respectively. During Fiscal 2018 and 2017, approximately 25% and 22%, respectively, of the Company's vehicle unit sales in India were made by the dealers through financing arrangements where the Company's captive vehicle financing divisions provided the support. As at March 31, 2018 and 2017, the Company's customer finance receivable portfolio comprised 488,456 and 552,991 contracts, respectively. The Company follow specified internal procedures, including quantitative guidelines, for selection of its finance customers and assist in managing default and repayment risk in the Company's portfolio. The Company originate all of the contracts through its authorized dealers and direct marketing agents with whom the Company have agreements. All the Company's marketing, sales and collection activities are undertaken through dealers or by TMFL. Total vehicle finance receivables outstanding as at March 31, 2018 and 2017 amounted to ₹23,881.18 crores and ₹17,563.25 crores, respectively.

Tata and other brand vehicles — Spare Parts and After-sales Activity

The Company's consolidated spare parts and after-sales activity revenue was ₹4,993.28 crores in Fiscal 2018, compared to ₹4,895.75 crores in Fiscal 2017. The Company's spare parts and after-sales activity experienced limited growth due to weak sales of both commercial vehicles and passenger vehicles in recent years.

Tata and other brand vehicles — Competition

The Company faces competition from various domestic and foreign automotive manufacturers in the Indian automotive market. Improving infrastructure and robust growth prospects compared to other mature markets has attracted a number of international companies to India that have either formed joint ventures with local partners or have established independently owned operations in India. Global competitors bring with them decades of international experience, global scale, advanced technology and significant financial resources, and, as a result, competition is likely to further intensify in the future. The Company has designed its products to suit the requirements of the Indian market based on specific customer needs such as safety, driving comfort, fuel-efficiency and durability. The Company believes that its vehicles are suited to the general conditions of Indian roads and the local climate. Its vehicles have also been designed to comply with applicable environmental regulations currently in effect. The Company also offers a wide range of optional configurations to meet the specific needs of its customers and intends to develop and is developing products to strengthen its product portfolio in order to meet the increasing customer expectations of owning world-class products.

Tata and other brand vehicles — Seasonality

Demand for the Company's vehicles in the Indian market is subject to seasonal variations. Demand for the Company's vehicles generally peaks between January and March, although there is a decrease in demand in February just before release of the Indian fiscal budget. Demand is usually lean from April to July and picks up again in the festival season from September onwards, with a decline in December due to year-end.

Jaguar Land Rover (JLR)

Total wholesales of Jaguar Land Rover vehicles (excluding Chery Jaguar Land Rover) with a breakdown between Jaguar and Land Rover brand vehicles, in Fiscal 2018 and 2017 are set forth in the table below:

	Fiscal 2018		Fiscal 2017	
	Units	%	Units	%
Jaguar	1,50,484	27.6%	1,69,284	31.7%
Land Rover	3,94,814	72.4%	3,65,462	68.3%
Total	**5,45,298**	**100.0%**	**5,34,746**	**100.0%**

In Fiscal 2018, Jaguar Land Rover wholesale volumes were 545,298 units, up 2.0% compared to Fiscal 2017. Lower sales of more established models partially offset the rise in sales driven by the introduction of new models. Wholesale volumes were up in China (11.0%), Overseas markets (13.0%) and in North America (3.4%) but down in the United Kingdom (1.1%) and in Europe (7.2%), reflecting continuing uncertainty over diesel.

Jaguar wholesale volumes were 150,484 units, down 11.1% compared to Fiscal 2017, reflecting the introduction of E-PACE offset by lower sales of XE, F-PACE, XF and all other models of Jaguar.

Land Rover wholesale volumes were 394,814 units, up 8.0% compared to the prior year led by the introduction of the Range Rover Velar and the all new Land Rover Discovery, partially offset by lower sales of Evoque and Discovery Sport. Sales of Range Rover and Range Rover Sport were also lower year on year on account of the model year change over, including the launch of our first Plug in Hybrid models, during the third and fourth quarter.

The wholesale volumes of Chery Jaguar Land Rover (China Joint venture) were 88,212 units from 66,060 units, reflecting a growth of 33.5% in Fiscal 2018 compared to 2017. This is mainly due to introduction of the long wheel base Jaguar XEL during Fiscal 2018 as well as the sales ramp up of the long wheel base Jaguar XFL at China joint venture.

Jaguar Land Rover's performance in key geographical markets on a retail basis

Retail volumes (including retail sales from the China Joint Venture) in Fiscal 2018 increased by 1.7% to 614,309 units from 604,009 units in Fiscal 2017 led by the introduction of the Range Rover Velar, the all new Land Rover Discovery and the Jaguar E-PACE as well as continued demand for F-PACE and the long wheel base XFL from China Joint Venture. This increase was partially offset by lower sales of XE (long wheel base XEL launched in December 2017 with sales still ramping up), XJ, Discovery Sport and Evoque. Retail sales of Range Rover and Range Rover Sport were also lower year on year on account of the model year change over during the third and fourth quarter.

United Kingdom

Industry vehicle sales fell 11.0% in Fiscal 2018 in the United Kingdom due to the weaker automotive cycle, Brexit and the continuing uncertainty around diesel (diesel sales down 26.2% year on year). Jaguar Land Rover retail volumes decreased by 12.8% to 108,759 units in Fiscal 2018 from 124,755 units in Fiscal 2017, which was broadly inline with the decline in industry volumes. The introduction of Velar and E-PACE as well as continuing demand for F-PACE in the United Kingdom were not enough to offset lower sales of more established models, including the model year changeover impacting sales of Range Rover and Range Rover Sport, and the lower demand for diesel powered vehicles.

North America

Economic performance in North America was generally favourable in Fiscal 2018 with solid GDP growth and strong labour market conditions. Industry sales in North America were down slightly (1.1%) in Fiscal 2018 whilst Jaguar Land Rover retails increased by 4.7% year on year to 129,319 units from 123,527 units in Fiscal 2017. Jaguar retail sales were down 1.7% in North America as continued demand for F-PACE and the introduction of E-PACE were offset by lower sales of XE and other models. Land Rover retailed 88,464units in Fiscal 2018, up 8.0%, from 81,949 units last year led by the introduction of Velar and the all new Discovery partially offset by lower sales of Evoque, Discovery Sport and Range Rover Sport, primarily reflecting the model year changeover.

Europe

Economic performance in Europe has been improving during Fiscal 2018 with consistent GDP growth of around 2.5%. Industry volumes in Europe were up 3.4% but Jaguar Land Rover retail sales in Europe were down 5.3% to 133,592 in Fiscal 2018 from 141,043 last year, primarily driven by uncertainty over diesel. Jaguar volumes decreased by 10.1% to 36,248 units in Fiscal 2018 compared to 40,332 units in Fiscal 2017 as the introduction of E-PACE was more than offset by lower sales of XE, XF and F-PACE. Land Rover retails were 97,344 units in Fiscal 2018, down 3.3% compared to the 100,711 units in Fiscal 2017 as the introduction of Velar and the all new Discovery solid sales were offset by lower sales of other models, including lower sales of Range Rover and Range Rover Sport which were impacted by the model year change over in the third and fourth quarter.

China

Passenger car sales in China increased by 1.3% in Fiscal 2018 supported by GDP growth of around 6.8%, broadly in-line with the government's target. Jaguar Land Rover retail volumes (including sales from the China Joint Venture) increased by 19.9% to 150,116 units in Fiscal 2018 from 125,207 units in Fiscal 2017. Jaguar retail sales in Fiscal 2018 were 44,705 units, up 52.3% compared to the 29,351 units in Fiscal 2017 primarily reflecting the introduction of the long wheel base XFL from China joint venture and continued demand for F-PACE. Furthermore sales of the long wheelbase Jaguar XEL from China joint venture started in December 2017 and are still ramping up. Land Rover retail sales were 105,411 units in Fiscal 2018, up 10.0% compared to the 95,856 units sold in Fiscal 2017 led by the introduction of Velar and continued demand for the Discovery Sport and Evoque from China Joint Venture. Retail sales of Discovery were somewhat lower year on year due to the launch phasing of the all new Discovery in China during Fiscal 2018.

Other Overseas markets

Jaguar Land Rover's retail volumes in the other overseas markets increased by 3.4% to 92,523 units in Fiscal 2018 compared to 89,477 units in the prior year. Jaguar retail volumes were 20,674 units, down 7.9% compared to the 22,455 units last year the introduction of E-PACE and solid demand for F-PACE was more than offset by lower sales of XE, XF and XJ. Land Rover retail volumes were 71,849 units, down 7.2% compared to the 67,022 units in Fiscal 2017 led by the introduction of Velar and the all new Discovery, partially offset by lower sales of Range Rover and Range Rover Sport, which were impacted by the model year changeover in quarters three and four.

Jaguar Land Rover's Sales & Distribution

As at March 31, 2018, Jaguar Land Rover distribute its vehicles in 120 markets for Jaguar and 129 markets for Land Rover globally. Sales locations for vehicles are operated as independent franchises. Jaguar Land Rover are represented in its key markets through its National Sales Companies ("NSC's") as well as thirdparty importers. Jaguar and Land Rover have regional offices in certain select countries that manage customer relationships and vehicle supplies and provide marketing and sales support to their regional importer markets. The remaining importer markets are managed from the United Kingdom.

Jaguar Land Rover products are sold through a variety of sales channels: through its dealerships for retail sales; for sale to fleet customers, including daily rental car companies; commercial fleet customers; leasing companies; and governments. Jaguar Land Rover do not depend on a single customer or small group of customers to the extent that the loss of such a customer or group of customers would have a material adverse effect on its business.

As at March 31, 2018, Jaguar Land Rover global sales and distribution network comprised 22 NSCs, 79 importers, 2 export partners and 1,571 franchise sales dealers, of which 1,226 are joint Jaguar and Land Rover dealers.

Jaguar Land Rover — Competition

Jaguar Land Rover operates in a globally competitive environment and faces competition from established premium and other vehicle manufacturers who aspire to move into the premium performance car and premium SUV markets, some of which are much larger than they are. Jaguar vehicles compete primarily against other European brands such as Audi, Porsche, BMW and Mercedes Benz. Land Rover and Range Rover vehicles compete largely against SUVs from companies such as Audi, BMW, Infiniti, Lexus, Mercedes Benz, Porsche, Volvo and Volkswagen.

Jaguar Land Rover — Seasonality

Jaguar Land Rover volumes are impacted by the biannual change in age-related registration plates of vehicles in the United Kingdom, where new age-related plate registrations take effect in March and

September. This has an impact on the resale value of the vehicles because sales are clustered around the time of the year when the vehicle registration number change occurs. Seasonality in most other markets is driven by introduction of new model year vehicles and derivatives. Furthermore, Western European markets tend to be impacted by summer and winter holidays, and the Chinese market tends to be affected by the Lunar New Year holiday in either January or February, the PRC National Day holiday and the Golden Week holiday in October. The resulting sales profile influences operating results on a quartertoquarter basis.

Other Operations Overview

The Company's other operations business segment mainly includes information technology services, machine tools and factory automation services. The Company's revenue from other operations before inter-segment eliminations was ₹3,252.36 crores in Fiscal 2018, an increase of 2.1% from ₹3,184.06 crores in Fiscal 2017. Revenues from other operations represented 1.1% and 1.2% of total revenues, before inter-segment eliminations, in Fiscal 2018 and 2017.

OPPORTUNITIES:

In the Budget 2018, Government of India has plans to complete 9,000 km of national highways by Fiscal 2019 and 35,000 km under the Bharatmala project at ₹5.35 lac crore. With the allocation of funds to improve national highways; people will see value in personal transportation and increase in sentiments towards purchasing new vehicles. Even the commercial vehicle industry will benefit from this increased connectivity.

The Automotive Mission Plan 2016-26 aims at 13% share of automotive industry in GDP, along with implementation of BS6 vehicles effective April 1, 2020 and increase in Value added services. National Electric Mobility Mission, aims at providing 7 million electric cars 2020, along with concession in manufacturing of selected parts for electric cars. Use of Block chain in Supply chain; augmented reality in designing and manufacturing; 3D printing and Four-cylinder supercar. At a global level, increasing levels of environmental regulations adds up the complexity quotient in design, marked by diverging behavior.

Jaguar Land Rover intends to grow its business by diversifying its product range to compete in new segments, for example the Range Rover Velar (on sale since July 2017), the Jaguar E-PACE (on sale since November 2017) and Jaguar Land Rover's first battery electric vehicle, the I-PACE (now available to order with deliveries commencing this summer) ensures that Jaguar Land Rover competes in new premium segments with class-leading products that further supports their growth plans.

FINANCIAL PERFORMANCE ON A CONSOLIDATED BASIS

The financial information discussed in this section is derived from the Company's Audited Consolidated Financial Statements.

Overview

The Company income from operations including finance revenues increased by 7.6% to ₹295,409.34 crores in Fiscal 2018 from ₹274,492.12 crores in Fiscal 2017. The increase is attributable to better sales volumes of the Company's India business and Jaguar Land Rover, offset by ₹3,192 crores due to unfavorable currency translation from GB£ to INR. Overall, earnings before other income, interest and tax, were ₹11,787.51 crores in Fiscal 2018 compared to ₹15,593.80 crores in Fiscal 2017, a decrease of 24.4%. The decrease in net income was primarily driven by higher depreciation and amortization, fixed marketing expenses/selling costs at Jaguar Land Rover business. The Company's net income (attributable to shareholders of the Company) was ₹8,988.91 crores in Fiscal 2018 as compared to ₹7,454.36 crores in Fiscal 2017.

The Company has pursued a strategy of increasing exports of Tata and other brand vehicles to new and existing markets. However, in Fiscal 2018, the revenue of the Company's subsidiary in South Korea, TDCV, has been lower due to lower industry volumes and aggressive marketing strategy from the competitors. Similarly for TTL, its specialized subsidiary engaged in engineering, design and information technology services, had reported lower revenue and profits due to adverse movement in exchange rates of major currencies as average rate of US$/INR declined by 3.9% in Fiscal 2018 compared to Fiscal 2017, while average rate of GBP/INR declined by 2.5% during the above period. TTL also suffered decline in revenue in Europe and North America mainly due to completion of vehicle programs with its key clients and delayed start of new programs due to client plan changes. The decline in Europe and North America were partially offset by growth in revenue in Asia Pacific region. Improved market sentiment in certain countries to which the Company exports and the strong sales performance of Jaguar Land Rover has enabled the Company to increase its sales in these international markets in Fiscal 2018. However, due to unfavorable currency translation from GB£ to INR and also growth in revenue in India in Fiscal 2018, the proportion of the Company's net sales earned from markets outside of India decreased to 79.8% in Fiscal 2018 from 82.5% in Fiscal 2017. The following table sets forth the Company's revenues from its key geographical markets and the percentage of total revenues that each key geographical market contributes for the periods indicated:

Revenue	Fiscal 2018		Fiscal 2017	
	(₹ in crores)	%	(₹ in crores)	%
India	59,593.18	20.2%	47,101.21	17.2%
China	43,394.13	14.7%	41,369.40	15.1%
UK	51,356.29	17.4%	50,588.18	18.4%
United States	44,991.88	15.2%	42,935.31	15.6%
Rest of Europe*	46,393.27	15.7%	47,122.48	17.2%
Rest of World*	49,680.59	16.8%	45,375.54	16.5%
Total	**295,409.34**		**274,492.12**	

* The Rest of Europe market is geographic Europe, excluding the United Kingdom and Russia. The rest of The World market is any region not included above.

The Company's operations is divided into automotive operations and other operations as described further below. The table below sets forth the breakdown in revenues between the Company automotive operations and other operations in Fiscal 2018 and 2017 and the percentage change from period to period.

	Fiscal 2018	Fiscal 2017	Change
	(₹ in crores)		%
Automotive operations	293,453.33	272,692.41	7.6%
Others	3,252.36	3,184.06	2.1%
Inter-segment elimination	(1,296.35)	(1,384.35)	(6.4)%
Total	**295,409.34**	**274,492.12**	**7.6%**

Automotive operations

Automotive operations is the Company's most significant segment, accounting for 99.3% of the Company's total revenues in Fiscal 2018 and Fiscal 2017. In Fiscal 2018, revenue from automotive operations before inter-segment eliminations was ₹293,453.33 crores as compared to ₹272,692.41 crores in Fiscal 2017, an increase of 7.6%.

The following table sets forth selected data regarding the Company's automotive operations for the periods indicated, and the percentage change from period to period (before inter-segment eliminations).

	Fiscal 2018	Fiscal 2017	Change %
Total revenue (₹ in crores)	293,453.33	272,692.41	7.6%
Earning before other income, interest and tax (₹ in crores)	11,512.38	15,324.12	(24.9)%
Earning before other income, interest and tax (% to total revenue)	3.9%	5.6%	

The Company's automotive operations segment is further divided into Tata and other brand vehicles (including vehicle financing) and Jaguar Land Rover. In Fiscal 2018, Jaguar Land Rover contributed 77.3% of the Company's total automotive revenue compared to 79.4% in Fiscal 2017 and the remaining 22.7% was contributed by Tata and other brand vehicles in Fiscal 2018 compared to 20.6% in Fiscal 2017.

The Company's revenue from Tata and other brand vehicles (including vehicle financing) and Jaguar Land Rover in Fiscals 2018 and 2017 and the percentage change from period to period (before intra-segment eliminations) is set forth in the table below.

	Fiscal 2018	Fiscal 2017	Change
	(₹ in crores)		%
Tata and other brand vehicles	66,620.38	56,448.78	18.0%
Jaguar Land Rover	226,964.86	216,388.82	4.9%
Intra-segment elimination	(131.91)	(145.19)	(9.1)%
Total	**293,453.33**	**272,692.41**	**7.6%**

Earning before other income, interest and tax

	Fiscal 2018	Fiscal 2017	Change
	(₹ in crores)		%
Tata and other brand vehicles	2,103.58	207.05	916%
Jaguar Land Rover	9,408.80	15,117.05	(37.8)%
Total	**11,512.38**	**15,324.11**	**(24.9)%**

Earning before other income, interest and tax (% to total revenue)

	Fiscal 2018	Fiscal 2017	Change
			%
Tata and other brand vehicles	3.2%	0.4%	2.8%
Jaguar Land Rover	4.1%	7.0%	(2.9)%
Total	**3.9%**	**5.6%**	**(1.7)%**

Other operations

The following table sets forth selected data regarding the Company's other operations for the periods indicated and the percentage change from period to period (before inter-segment eliminations).

	Fiscal 2018	Fiscal 2017	Change (%)
Total revenue (₹ in crores)	3,252.36	3,184.06	2.1%
Earning before other income, interest and tax (₹ in crores)	422.32	471.90	(10.5%)
Earning before other income, interest and tax (% to total revenue)	13.0%	14.8%	

The other operations business segment includes information technology, machine tools and factory automation solutions. The reduction in Earning before other income, interest and tax is mainly due to Tata Technologies Ltd.

Results of Operations

Revenue from operations of the Company for Fiscal 2018, stood at ₹ 295, 409.34 crores, as compared to ₹ 274,492.12 crores, increased by 7.6%. Total number of vehicles sold were 12,21,124 units in Fiscal 2018 as compared to 10,91,748 units in Fiscal 2017, a growth of 11.9%. Revenue from operations (net of excise duty) stood at ₹ 294, 242.57 crores as compared to ₹ 269,849.66 crores, increase of 9.0%.

The following table sets forth selected items from the Company's consolidated statements of income for the periods indicated and shows these items as a percentage of total revenues:

	Fiscal 2018	Fiscal 2017
	(%)	(%)
Revenue from operations (net of excise duty)	100.0	100.0
Expenditure:		
Cost of material consumed (including change in stock)	63.2	61.5
Excise Duty (refer below explanation)	(0.1)	0.1
Employee Cost	10.3	10.5
Product development/ Engineering	1.2	1.3
Other expenses (net)	20.5	20.5
Amount Capitalized	(6.3)	(6.3)
Total Expenditure	88.7	87.6
Profit before interest, tax, depreciation and amortisation	11.3	12.4
Other Income	0.3	0.3
Profit before Exceptional Items, Depreciation and Amortization, Interest, Foreign exchange and Tax	11.6	12.7
Depreciation and Amortization	7.3	6.6
Finance costs	1.6	1.6
Foreign exchange loss (net)	(0.4)	1.4
Exceptional Item (gain)/loss (net)	(0.7)	(0.4)
Profit before Tax	3.8	3.5
Tax expense	1.5	1.2
Profit after Tax	2.3	2.2
Share of profits/(loss) of equity accounted investees (net)	0.8	0.6
Minority Interest	0.0	0.0
Profit for the year	3.1	2.8

Cost of materials consumed (including change in stock)

	Fiscal 2018	Fiscal 2017
	(₹ in crores)	
Consumption of raw materials and components	173,371.19	160,147.12
Basis adjustment on hedge accounted derivatives	(1,378.60)	(777.57)
Purchase of product for sale	15,903.99	13,924.53
Change in inventories of finished goods, Work-in-progress and products for sale	(2,046.58)	(7,399.92)
Total	**185,850.00**	**165,894.16**

Cost of material consumed increased to 63.2% of total revenue (excluding income from vehicle financing) in Fiscal 2018 from 61.5% in Fiscal 2017. For Tata Motors Standalone (including Joint Operations), costs of materials consumed was 73.0% of net revenue in Fiscal 2018 of total revenue as compared to 70.5% in Fiscal 2017, representing an increase of 250 bps, which was mainly attributable to a change in product mix. For Jaguar Land Rover, costs of materials consumed was 65.9% of total revenue in Fiscal 2018 compared to 66.3% in Fiscal 2017, representing a decrease of 40 bps, mainly driven by product mix.

Excise duty for the Fiscal 2018 represents the reversal of excise duty on closing inventories as at July 1, 2017. Consequent to the introduction of Goods and Service Tax (GST) with effect from July 1, 2017, Central Excise, Value Added Tax (VAT) etc have been replaced by GST. Excise duty for Fiscal 2018 was ₹790.16 crores as compared to ₹4,799.61 crores in Fiscal 2017. Of this recovery from sales was ₹1,166.77 crores for Fiscal 2018 as compared to ₹4,642.46 crores for Fiscal 2017. The same has been netted off in the discussion under this section against Revenue from operations to be comparable.

Employee Costs were ₹30,300.09 crores in Fiscal 2018 as compared to ₹28,332.89 crores in Fiscal 2017, an increase of 6.9%. There was favourable translation impact of GB£ to INR of Jaguar Land Rover operation of ₹462.49 crores. At Jaguar Land Rover the increase in employee cost is by 9.3% to GB£ 2,726 million (₹23,392.69 crores) in Fiscal 2018 as compared to GBP 2,495 million (₹21,829.15 crores) in Fiscal 2017, primarily reflects the increase in the employee head count all across functions and impact of consolidating Spark 44 since August 31, 2017. For Tata Motors Standalone (including joint operations), the employee cost increased by 5.4% to ₹3,966.73 crores as compared to ₹3,764.35 crores in Fiscal 2017, mainly due to annual increments, higher performance payment accruals and wage revisions. Employee costs at TDCV were ₹828.65 crores in Fiscal 2018, as compared to ₹775.83 crores in Fiscal 2017, an increase of 6.8%, due to annual increments.

Other Expenses includes all works operations, indirect manufacturing expenses, freight cost, fixed marketing costs and other administrative costs. These expenses have increased to ₹60,184.21 crores in Fiscal 2018 from ₹55,430.06 crores in Fiscal 2017. The breakdown is provided below:

	Fiscal 2018	Fiscal 2017	Change
		(₹ in crores)	
Processing charges	1,339.08	1,172.03	167.05
Consumption of stores and spare parts	2,210.56	2,419.11	(208.55)
Freight, transportation, port charges, etc.	10,742.12	9,754.71	987.41
Power and fuel	1,308.08	1,159.82	148.26
Warranty and product liability expenses	7,700.07	8,106.37	(406.30)
Publicity	8,968.59	8,698.68	269.91
Information technology/ computer expenses	2,143.18	2,202.51	(59.33)
Allowance for finance, trade and other receivables	57.87	104.78	(46.91)

	Fiscal 2018	Fiscal 2017	Change
		(₹ in crores)	
Engineering expenses	5,278.84	4,273.72	1,005.12
MTM (gain)/loss on commodity derivatives	214.63	918.40	(703.77)
Works operation and other expenses	20,221.19	16,619.93	3,601.26
Other Expenses	60,184.21	55,430.06	4,754.15

The changes are mainly driven by volumes and the size of operations.

i. Processing charges were mainly incurred by Tata and other brand vehicles (including vehicle financing) which, due to higher volumes, led to higher expenditures.

ii. Freight, transportation, port charges etc. have increased, for Jaguar Land Rover, predominantly due to increased sales in certain geographies and for India business due to increased volumes. As a percentage to total revenue, Freight, transportation and port charges etc. were flat at 3.6% in Fiscal 2018.

iii. Publicity expenses increased by 3.1% mainly due to increase in JLR and represented 3.0% of total revenues in Fiscal 2018 and 3.2% in Fiscal 2017. In addition to routine product and brand campaigns, the Company incurred expenses relating to new product introduction campaigns for the I-Pace, E-Pace, Velar and the all new Jaguar XF, the Nexon at Tata Motors. Further, during the year the amount was spent on certain Auto / Motor shows, viz. Delhi Auto expo, Geneva Motor show etc.

iv. Warranty and product liability expenses represented 2.6% and 2.9% of the Company's revenues in Fiscal 2018 and 2017, respectively. The warranty expenses at Jaguar Land Rover represented 2.6% of the revenue as compared to 2.9% last year, whereas Tata Motors India operations these represent 1.3% and 1% of revenue for Fiscal 2018 and 2017, respectively.

v. Works operation and other expenses have increased to 6.9% of net revenue in Fiscal 2018 from 6.4% in Fiscal 2017.

vi. Engineering expenses at Jaguar Land Rover have increased, reflecting its increased investment in the development of new vehicles. A significant portion of these costs are capitalized and shown under the line item "Amount capitalized".

vii. The provision of various debtors, vehicle loans and advances (net), has decreased to ₹57.87 crores in Fiscal 2018 as compared to ₹104.78 crores in Fiscal 2017, mainly reflect provisions for finance receivables, where the collections have improved in Fiscal 2018. Further there is reversal of certain provisions in Trade receivables due to favourable litigation awards.

Amount capitalized represents expenditure transferred to capital and other accounts allocated out of employee cost and other expenses, incurred in connection with product development projects and other capital items. The expenditure transferred to capital and other accounts has increased by 10.1% to ₹18,588.09 crores in Fiscal 2018 from ₹16,876.96 crores in Fiscal 2017, mainly due to various product development projects undertaken by the Company for the introduction of new products and the development of engine and products variants.

Other Income increased by 17.8% to ₹888.89 crores in Fiscal 2018 from ₹754.54 crores in Fiscal 2017. Interest income increased to ₹711.81 crores in Fiscal 2018, compared to ₹562.21 crores in Fiscal 2017, whereas profit on sale of investment decreased to ₹129.26 crores in Fiscal 2018, compared to ₹176.14 crores in Fiscal 2017, primarily on the sale of mutual funds, at Tata and other brand vehicles (including vehicle financing).

Profit before Interest, Depreciation, Foreign Exchange (gain)/ loss, Exceptional Items and Tax is ₹37,761.86 crores in Fiscal 2018, representing 12.8% of revenue in Fiscal 2018 compared to ₹37,666.90 crores in Fiscal 2017.

Depreciation and Amortization: During Fiscal 2018, expenditures increased by 20.4% to ₹21,553.59 crores from ₹17,904.99 crores in Fiscal 2017. The depreciation has increased by 20.2% to ₹10,874.34 crores as compared to ₹9,048.63 crores in Fiscal 2017 and is due to new product launches both at Jaguar Land Rover and Tata and other brand vehicles (including vehicle financing). The amortization expenses have also increased by 20.6% to ₹10,679.25 crores in Fiscal 2018 from ₹8,856.37 crores in Fiscal 2017, and are attributable to new products introduced during the year.

Expenditure on product development / engineering expenses charged off increased by 3.5% to ₹3,531.87 crores in Fiscal 2018 from ₹3,413.57 crores in Fiscal 2017.

Finance Cost increased by 10.5% to ₹4,681.79 crores in Fiscal 2018 from ₹4,238.01 crores in Fiscal 2017. The increase was mainly due to increased borrowing & interest rates.

Foreign exchange gain of ₹1,185.28 crores in Fiscal 2018 as compared to a loss of ₹3,910.10 crores in Fiscal 2017. The gain was mainly due to appreciation of GBP as compared to USD.

Exceptional items (gain)/loss

	Fiscal 2018	Fiscal 2017	Change
		(₹ in crores)	
Employee separation cost	3.68	67.61	(63.93)
Defined benefit pension plan amendment	(3,609.01)	-	(3,609.01)
Provision for impairment of intangible under development and capital work in progress	1,641.38	-	1,641.38
Provision for BSIII vehicles	-	147.93	(147.93)
Others	(11.19)	(1,330.10)	1,318.91
Total	**(1,975.14)**	**(1,114.56)**	**(860.58)**

- The credit of ₹3,609.01 crores (GB£ 437 million) during the Fiscal 2018, relates to the amendment of the Defined Benefit scheme of Jaguar Land Rover Automotive Plc.
- There has been significant disruptions in the Auto industry necessitating a review of the Company's product development cost capitalization policy. The new capitalization gateway introduced the factor "affordability" of investments w.e.f April 1, 2018. Thus the Company reviewed its tangible and intangible assets to ensure "fit for future" and taken a charge of ₹1,641.38 crores in Fiscal 2018.

Earnings Before Interest Tax (EBIT) increased to ₹13,478 crores in Fiscal 2018, compared to ₹11,846 crores in Fiscal 2017. EBIT is defined to include the revaluation of current assets and liabilities and realized foreign exchange and commodity hedges as well as profits from equity accounted investees but excludes the revaluation of foreign currency debt, mark to market (MTM) on foreign exchange and commodity hedges, other income and exceptional items.

Consolidated Profit Before Tax (PBT) increased to ₹11,155.03 crores in Fiscal 2018, compared to ₹9,314.79 crores in Fiscal 2017. The increase in PBT is primarily driven by improvement in the Tata Motors Ltd Standalone business in India, mainly favourable model mix and better management of other operating costs. The increase in PBT was also due to exceptional gain of ₹3,609.01 crores of pension cost. However, the profitability at Jaguar Land Rover operations were lower due to product mix, higher manufacturing expenses and other operating costs including higher marketing expenses, higher depreciation and amortization expenses related to significant capital expenditure incurred in prior periods. In Fiscal 2017 there were exceptional credit of ₹1,330.10 crores, which relates to receipt of insurance proceeds, recovery of import duties and taxes for the explosion at the port of Tianjin (China) in August 2015. Further, there was a decrease due to translation impact from GB£ to INR of ₹273 crores.

Tax Expense represents a net charge of ₹4,341.93 crores in Fiscal 2018, as compared to ₹3,251.23 crores in Fiscal 2017. The effective tax rate in Fiscal 2018 was 32.3% as compared to 30.0% in Fiscal 2017 (PBT includes share of profit of Joint Venture and associates). For Tata Motors Ltd and certain subsidiaries, the Company has not recognized deferred tax assets due to uncertainty of future taxable profits. In Fiscal 2018, there was a reduction in the US Federal rate from 35% to 21% and in the UK Corporation tax from 19% to 17% resulting in a deferred tax charge.

Consolidated Profit after tax increased by 20.6% to ₹8,988.91 crores in Fiscal 2018 from ₹7,454.36 crores in Fiscal 2017, after considering the profit from associate companies and shares of minority investees. The increase was mainly attributable to improvement in Company's standalone business and credit of pension plan amendment, China Joint Venture performance offset by provision for impairment of certain assets and JLR performance.

Consolidated Balance Sheet

(₹ in crores)

		As at March 31,		Change	Translation of JLR	Net Change
		2018	2017			
ASSETS						
(a)	Property, plant and equipment and intangible assets	161,331	128,970	32,361	16,486	15,875
(b)	Goodwill	116	673	(557)	1	(558)
(c)	Investment in equity accounted investees	5,385	4,606	779	554	225
(d)	Financial assets	104,184	89,380	14,804	8,188	6,616
(e)	Deferred tax assets (net)	4,159	4,457	(298)	477	(775)
(f)	Current tax assets (net)	1,109	1,196	(87)	11	(98)
(g)	Other assets	10,344	9,387	957	811	146
(h)	Inventories	42,138	35,085	7,053	4,245	2,808
(i)	Assets classified as held-for-sale	2,585	-	2,585	-	2,585
	TOTAL ASSETS	**331,351**	**273,754**	**57,597**	**30,773**	**26,824**
LIABILITIES						
(a)	Financial liabilities	188,941	174,066	14,875	14,544	331
(b)	Provisions	18,902	14,812	4,090	2,057	2,033
(c)	Deferred tax liabilities (net)	6,126	1,174	4,952	664	4,288
(d)	Other liabilities	18,800	23,794	(4,994)	2,010	(7,004)
(d)	Current tax liabilities (net)	1,559	1,393	166	182	(16)
(e)	Liabilities directly associated with Assets held-for-sale	1,070	-	1,070	-	1,070
	TOTAL LIABILITIES	**235,398**	**215,239**	**20,159**	**19,457**	**702**

Property, plant and equipment and other intangible assets

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Property, plant and equipment (including capital work-in-progress)	90,010.78	69,781.39	20,229.39
Other intangible assets (including assets under development)	71,320.13	59,188.21	12,131.92
Total	**1,61,330.91**	**1,28,969.60**	**32,361.31**

There is increase (net of depreciation and amortization) in the intangible and tangible assets in Fiscal 2018, due to favourable currency translation impact from GB£ to INR of ₹16,486 crores. Further, the increase is driven by Jaguar Land Rover Slovakia plant and tooling and facilities for new products like E-Pace, Velar, I-Pace, XF. At Tata Motors Ltd, the additions were mainly in tooling's, and product development cost for new products.

Investments in equity accounted investees were ₹5,385.24 crores as at March 31, 2018, as compared to ₹4,606.01 crores as at March 31, 2017. The increase was mainly due to profits at the Company's Joint Venture at China of GB£252 million (₹2,138.92 crores).

Financial Assets (Current + Non-current)

Investments (Current + Non-current) were ₹15,427.51 crores as at March 31, 2018, as compared to ₹15,731.91 crores as at March 31, 2017. The details are as follows:

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Mutual Funds	14,360.47	15,065.84	(705.37)
Quoted Equity shares	339.92	260.29	79.63
Unquoted Equity shares	609.08	369.98	239.10
Others	118.04	35.80	82.24
Total	**15,427.51**	**15,731.91**	**(304.40)**

The decrease in mutual fund investments was mainly at Tata Motors Limited.

Finance receivables (current + non-current) were ₹23,881.18 crores as at March 31, 2018, as compared to ₹17,563.25 crores as at March 31, 2017, an increase of 36%, primarily due to increased vehicle financing business. The Gross finance receivables were ₹25,070.75 crores as at March 31, 2018, as compared to ₹21,160.76 crores as at March 31, 2017.

Loans and Advances

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Non-current loans and advances	495.41	753.66	(258.25)
Current loans and advances	2,279.66	710.45	1,569.21
Total	**2,775.07**	**1,464.11**	**1,310.96**

Loans and advances include advance and other recoveries from suppliers, contractors amounting to ₹ 2,260.50 crores and ₹ 684.35 crores in Fiscal 2018 and 2017 respectively.

Other Financial Assets

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Other financial assets - non current	4,563.87	2,911.12	1,652.75
Other financial assets – current	3,029.12	1,555.94	1,473.18
Total	**7,592.99**	**4,467.06**	**3,125.93**

These included ₹5,323.03 crores of derivative financial instruments, mainly attributable to Jaguar Land Rover as at March 31, 2018 compared to ₹4,285.52 crores as at March 31, 2017, reflecting notional asset due to the valuation of derivative contracts.

Deferred tax assets / liability: Deferred tax assets represent timing differences for which there will be future current tax benefits due to unabsorbed tax losses and expenses allowable on a payment basis in future years. Deferred tax liabilities represent timing differences where current benefit in tax will be offset by a debit in the statement of profit and loss.

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Deferred tax assets	4,158.70	4,457.34	(298.64)
Deferred tax liability	6,125.80	1,174.00	4,951.80

A deferred tax liability (net) of ₹1,038.47 crores was recorded in the income statement and ₹4,394.71 crores in other comprehensive income, which mainly includes post-retirement benefits and cash flow hedges in Fiscal 2018. The major movement is due to deferred tax liability in respect of gains on derivatives and post-retirement benefits.

Inventories as at March 31, 2018, were ₹42,137.63 crores as compared to ₹35,085.31 crores as at March 31, 2017, an increase of

20%. Inventory at Tata and other brand vehicles (including vehicle financing) was ₹7,318.87 crores as at March 31, 2018 as compared to ₹6,923.42 crores as at March 31, 2017. Inventory at Jaguar Land Rover was ₹34,805.01 crores as at March 31, 2018, an increase of 24%, as compared to ₹28,079.40 crores as at March 31, 2017. In terms of number of days of sales, finished goods represented 42 inventory days in Fiscal 2018 as compared to 38 days in Fiscal 2017. The increase is mainly due to inventory held for new models (E-Pace, I-Pace and Velar) at Jaguar Land Rover.

Trade Receivables (net of allowance for doubtful debts) were ₹19,893.30 crores as at March 31, 2018, representing an increase of 41.3% compared to ₹14,075.55 crores as at March 31, 2017. Trade Receivables have increased at Tata and other brand vehicles (including vehicle financing) to ₹5,492.78 crores as at March 31, 2018 as compared to ₹3,471.93 crores as at March 31, 2017. The increase was mainly due to higher sales at year end. Trade receivables at Jaguar Land Rover was ₹14,374.03 crores as at March 31, 2018, as compared to ₹10,006.21 crores as at March 31, 2017, due to introduction of new models. The allowances for doubtful debts were ₹1,261.67 crores as at March 31, 2018 compared to ₹1,377.44 crores as at March 31, 2017.

Cash and cash equivalents were ₹14,716.75 crores, as at March 31, 2018, compared to ₹13,986.76 crores as at March 31, 2017. The Company holds cash and bank balances in Indian rupees, GB£, Chinese Renminbi, etc.

Other bank balances were ₹19,897.15 crores, as at March 31, 2018, compared to ₹22,091.12 crores as at March 31, 2017. These include bank deposits maturing within one year of ₹19,361.58 crores as at March 31, 2018, compared to ₹21,852.76 crores as at March 31, 2017.

Current tax assets (net) (current + non-current) were ₹1,108.81 crores, as at March 31, 2018, compared to ₹1,195.67 crores as at March 31, 2017.

Other assets

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Other assets - non current	2,681.25	2,847.36	(166.11)
Other assets – current	7,662.37	6,539.99	1,122.38
Total	**10,343.62**	**9,387.35**	**956.27**

These mainly includes prepaid expenses, including rentals on operating lease of ₹2,584.66 crores as at March 31, 2018, as compared to ₹2,063.55 crores as at March 31, 2017. Taxes recoverable, statutory deposits and dues from government were ₹6,724.43 crores as at March 31, 2018, as compared to ₹6,030.06 crores as at March 31, 2017.

Shareholders' fund was ₹95,427.91 crores and ₹58,061.89 crores as at March 31, 2018 and 2017, respectively, an increase of 64.4%.

Reserves increased by 65.1% from ₹57,382.67 crores as at March 31, 2017 to ₹94,748.69 crores as at March 31, 2018. Though, the profit for Fiscal 2018 was ₹8,988.91 crores, increase in Reserves of ₹37,366.02 crores was primarily attributable to following reasons:

- Credits for remeasurement of employee benefit plans was ₹3,909.10 in Fiscal 2018.
- Translation gain of ₹9,921.36 crores recognized in Translation Reserve on consolidation of subsidiaries further contributed to an increase in Reserves and Surplus.
- Further increase in Hedging Reserves by ₹14,285.59 crores, primarily due to mark-to-market gains on forwards and options in Jaguar Land Rover, primarily due to the Strengthening in the US$-GB£ forward rates.

Borrowings

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Long term borrowings	61,199.50	60,629.18	570.32
Short term borrowings	16,794.85	13,859.94	2,934.91
Current maturities of long term borrowings	10,956.12	4,114.86	6,841.26
Total	**88,950.47**	**78,603.98**	**10,346.49**

- Current maturities of long-term borrowings represent the amount of loan repayable within one year.
- During Fiscal 2018,

o the Company raised ₹1,500 crores through unsecured non-convertible debentures with a tenor ranging from 3 years to 5 years.

o Jaguar Land Rover Automotive plc, issued USD 500 million (₹3,156.93 crores) Senior Notes maturing in October 2027 at a coupon of 4.5%.

o TML Holdings Pte. Singapore, a wholly owned subsidiary of Tata Motors Ltd, had refinanced its existing syndicate loan of USD 850 million with a new syndicated loan facility of GBP 640 million.

Other financial liabilities

	As at March 31,		Change
	2018	2017	
Other financial liabilities - non current	2,739.14	11,409.58	(8,670.44)
Other financial liabilities – current	31,267.49	25,634.83	5,632.66
Total	**34,006.63**	**37,044.41**	**(3,037.78)**

These included ₹8,657.86 crores of derivative financial instruments, mainly attributable to Jaguar Land Rover as at March 31, 2018 compared to ₹25,517.52 crores as at March 31, 2017, reflecting favourable foreign exchange movement between USD and GBP. However, current maturities of long-term borrowings were ₹10,956.12 crores as at March 31, 2018, as compared to ₹4,114.86 crores as at March 31, 2017.

Trade payables were ₹72,038.41 crores as at March 31, 2018, as compared to ₹57,698.33 crores as at March 31, 2017.

Acceptances were ₹4,901.42 crores as at March 31, 2018, as compared to ₹4,834.24 crores as at March 31, 2017.

Provisions (current and non-current) were made towards warranty and employee benefit schemes. Short-term provisions are those, which are expected to be settled during next financial year. The details are as follows:

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Long term provisions - non-current	10,948.44	9,004.46	1,943.98
Short term provisions – current	7,953.50	5,807.76	2,145.74
Total	**18,901.94**	**14,812.22**	**4,089.72**

i. Provision for warranty increased to ₹15,935.10 crores as at March 31, 2018, as compared to ₹12,031.33 crores as at March 31, 2017, an increase of ₹3,903.77 crores.

ii. The provision for employee benefits obligations increased to ₹844.64 crores as at March 31, 2018, as compared to ₹801.90 crores as at March 31, 2017.

iii. Provision for legal and product liability increased to ₹1,319.87 crores as at March 31, 2018, as compared to ₹1,266.00 crores as at March 31, 2017.

Other liabilities

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Other liabilities - non current	11,165.19	17,392.56	(6,227.37)
Other liabilities – current	7,634.55	6,401.84	1,232.71
Total	**18,799.74**	**23,794.40**	**(4,994.66)**

These mainly includes liabilities towards employee benefits obligations of ₹4,100.76 crores as at March 31, 2018, as compared to ₹11,984.03 crores as at March 31, 2017, decrease mainly at Jaguar Land Rover. Deferred revenue were ₹9,413.29 crores as at March 31, 2018, as compared to ₹6,926.35 crores as at March 31, 2017. Statutory dues (VAT, Excise, Service Tax, Octroi etc.) were ₹3,176.86 crores as at March 31, 2018, as compared to ₹2,658.93 crores as at March 31, 2017.

Consolidated Cash Flow

The following table sets forth selected items from consolidated cash flow statement:

	Fiscal 2018	Fiscal 2017	Change
		(₹ in crores)	
Cash from operating activity	**23,857.42**	**30,199.25**	**(6,341.83)**
Profit for the year	9,091.36	7,556.56	
Adjustments for cash flow from operations	24,220.92	21,283.55	
Changes in working capital	(6,433.70)	3,254.24	
Direct taxes paid	(3,021.16)	(1,895.10)	
Cash from investing activity	**(26,201.61)**	**(38,079.88)**	**11,878.27**
Payment for property, plant and equipment and other intangible assets (net)	(35,048.62)	(30,413.49)	
Net investments, short term deposit, margin money and loans given	6,359.13	(8,924.27)	
Dividend and interest received	2,487.88	1,257.88	
Net Cash from / (used in) Financing Activities	**2,011.71**	**6,205.30**	**(4,153.59)**
Proceeds from issue of shares	-	4.55	
Dividend Paid (including paid to minority shareholders)	(55.97)	(121.22)	
Interest paid	(5,410.64)	(5,336.34)	
Net Borrowings (net of issue expenses)	7,478.32	11,658.31	
Net increase / (decrease) in cash and cash equivalent	**(332.48)**	**(1,675.28)**	**1,342.80**

	Fiscal 2018	Fiscal 2017	Change
	(₹ in crores)		
Cash and cash equivalent, beginning of the year	13,986.76	17,153.61	
Effect of exchange fluctuation on cash flows	1,306.41	(1,491.52)	
Classified as held for sale	(243.94)	-	
Cash and cash equivalent, end of the year	**14,716.75**	**13,986.76**	

a) Cash generated from operations before working capital changes was ₹33,312.28 crores in Fiscal 2018, as compared to ₹28,840.11 crores in the previous year, representing an increase in cash from generated from consolidated operations. After considering the impact of working capital changes including the net movement of vehicle financing portfolio, the net cash generated from operations was ₹23,857.42 crores in Fiscal 2018, as compared to ₹30,199.25 crores in the previous year. The increase in trade receivables, finance receivables, inventories and other assets amounting to ₹17,440.36 crores mainly due to increase in sales was offset by increase in trade and other payables and provisions amounting to ₹11,006.66 crores.

b) The net cash outflow from investing activity decreased to ₹26,201.61 crores in Fiscal 2018 from ₹38,079.88 crores in Fiscal 2017.

- Capital expenditure (net) was at ₹35,048.62 crores in Fiscal 2018, compared to ₹30,413.49 crores, related mainly to capacity/ expansion of facilities, quality and reliability projects and product development projects.
- Net investments, short-term deposits, margin money and loans given was an inflow of ₹6,359.13 crores in Fiscal 2018 as compared to outflow of ₹8,924.27 crores in Fiscal 2017, mainly at Jaguar Land Rover.

c) The net change in financing activity was an inflow of ₹2,011.71 crores in Fiscal 2018 as compared to ₹6,205.30 crores in Fiscal 2017.

- In Fiscal 2018, ₹4,559.81 crores were raised from long-term borrowings (net) as compared to ₹9,172.39 crores (net) in Fiscal 2017 as described in further detail below
- Net increase in short-term borrowings of ₹2,960.35 crores in Fiscal 2018 as compared to ₹2,485.30 crores in Fiscal 2017, mainly at Tata and other brand vehicles (including vehicle financing).

d) Free cash flows of (a non-GAAP measure, measured at cash flow from operating activities, less payment for property, plant and equipment and intangible assets) were negative of ₹7,322 crores due to lower growth and higher investments in Jaguar Land Rover.

As at March 31, 2018, the Company's borrowings (including short-term debt) were ₹88,950.47 crores, compared to ₹78,603.98 crores as at March 31, 2017.

Principal Sources of Funding Liquidity

The Company finances its capital expenditures and research and development investments through cash generated from operations, cash and cash equivalents, debt and equity funding. The Company also raises funds through sale of investments, including divestment in stakes of subsidiaries on a selective basis.

The Company's cash and bank balances on a consolidated basis were ₹34,613.91 crores as at March 31, 2018, as compared to ₹36,077.88 crores as at March 31, 2017. These enable the Company to cater to business needs in the event of changes in market conditions.

The Company's capital expenditures were ₹42,672.28 crores and ₹31,750.74 crores for Fiscal 2018 and 2017, respectively, and it currently plans to invest approximately ₹461 billion in Fiscal 2019 in new products and technologies. The Company intends to continue to invest in new products and technologies to meet consumer and regulatory requirements. These investments are intended to enable the Company to pursue further growth opportunities and improve the Company's competitive positioning. In December 2015, Jaguar Land Rover announced the initial investment of GB£1 billion to build a manufacturing facility in Slovakia with annual capacity of 150,000 units and production scheduled to begin in 2018 (construction of the plant commenced in September 2016) and in November 2016 confirmed that the all new Land Rover Discovery would be the first model manufactured at the plant. In November 2015, Jaguar Land Rover announced additional investment of GB£450 million to double capacity at the engine manufacturing facility in Wolverhampton and production of the 2.0l Ingenium petrol engine recently began. The manufacturing partnership with Magna Steyr, an operating unit of Magna International Inc, to build vehicles in Graz, Austria was announced in July 2015. Jaguar E Pace was the first vehicle to be produced as a part of Jaguar Land Rover's contract manufacturing agreement with Magna Steyr, Austria in late 2017 and it will be joined by Jaguar I Pace from 2018. The Company expects to meet most of its investments out of operating cash flows and cash liquidity available. In order to meet the remaining funding requirements, the Company may be required to raise funds through additional loans and by accessing capital markets from time to time, as deemed necessary.

With the ongoing need for investments in products and technologies, the Company on a standalone basis (Including joint operations) was free cash flow (a non-GAAP measure, measured at cash flow from operating activities, less payment for property, plant and equipment and intangible assets) positive in Fiscal 2018, of ₹1,310.99 crores.

The following table provides information for the credit rating of Tata Motors Limited for short-term borrowing and long-term borrowing from the following rating agencies as at March 31, 2018:

Credit Analysis and Research Ltd Ratings, or CARE, Information and Credit Rating Agency of India Ltd, or ICRA, Credit Rating Information Services of India Limited, or CRISIL Ltd, Standard & Poor's Ratings Group, or S&P, and Moody's Investor Services, or Moody's. A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating:

	CARE	ICRA	CRISIL	S&P	Moody's
Long-term borrowings	AA+	AA	AA	BB+	Ba1
Short-term borrowings	A1+	A1+	A1+	—	—

The Company believes that it has sufficient liquidity available to meet its planned capital requirements. However, the Company's sources of funding could be materially and adversely affected by an economic slowdown, as was witnessed in Fiscal 2009, or other macroeconomic factors in India and abroad, such as in the United Kingdom, the United States, Europe, Russia and China, all of which are beyond the Company's control. A decrease in the demand for the Company's vehicles could affect its ability to obtain funds from external sources on acceptable terms or in a timely manner.

The Company's cash is located at various subsidiaries within the Tata Motors Group. There may be legal, contractual or economic restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends, loans, or advances. Brazil, Russia, South Africa and other jurisdictions have regulatory restrictions, disincentives or costs on pooling or transferring of cash. However, such restrictions have not had and are not estimated to have a significant impact on the Company's ability to meet its cash obligations.

In order to refinance the Company's borrowings and for supporting long-term fund needs, the Company continued to raise funds in Fiscal 2017 and 2018, through issue of various debt securities described below.

During Fiscal 2017, the Company raised ₹2,700 crores through unsecured NCDs with a tenor ranging from 2 years to 5 years. The proceeds have been used for refinancing and supporting the funding requirements of the Company.

In January 2017, Jaguar Land Rover Automotive plc issued EUR 650 million senior notes due 2024 at a coupon of 2.200% per annum and GBP 300 million senior notes due 2021 at a coupon of 2.750% per annum. The proceeds were for general corporate purposes, including support for Jaguar Land Rover's ongoing growth and capital spending requirements.

In March 2017 Jaguar Land Rover Automotive plc completed consent transactions to align the terms of its US$ 500 million 5.625% senior notes due 2023, its US$ 700 million 4.125% senior notes due 2018 and its GB£ 400 million 5.000% senior notes due 2022 to bonds it issued after January 2014.

During Fiscal 2017, Tata Motors Limited issued rated, listed, unsecured NCDs of ₹2,700 crores. The proceeds have been utilized for general corporate purpose. Tata Motors Limited prepaid ₹300 crores of its Unsecured 8.60% NCD due 2018 in February 2017.

During Fiscal 2017, Tata Motors Finance Limited through its subsidiary Sheba Properties Ltd., issued 22,500,000 privately placed, cumulative non-participating compulsory convertible preference shares of ₹100 each convertible after seven years, which qualifies as tier 1 capital. In Fiscal 2017, Tata Motors Finance Limited, and its subsidiaries, Sheba Properties Ltd and Tata Motors Finance Solutions Ltd, issued NCDs and raised ₹316 crores. Bank borrowings through secured and unsecured term loans continued to remain as the major source of funds for long-term borrowing, and during, Fiscal 2017 ₹2,625 crores were raised.

In October 2017, Jaguar Land Rover Automotive plc issued US$500 million senior notes due 2027 at a coupon of 4.50% per annum. The proceeds were for general corporate purposes, including support for Jaguar Land Rover's ongoing growth and capital spending requirements.

During Fiscal 2018, Tata Motors Limited issued rated, listed, unsecured NCDs of ₹1,500 crores. The proceeds have been utilized for general corporate purpose.

In Fiscal 2018, TMF Holdings Ltd (TMFHL), and its subsidiaries, TMFL & TMFSL, issued NCDs and raised ₹3,231 crores. Bank borrowings through secured and unsecured term loans continued to remain as the major source of funds for long-term borrowing, and during, Fiscal 2018 ₹2,330 crores was raised. Overall during Fiscal 2018 for the TMFL group, the short-term debt (net) increased by ₹50,079 million and long-term debt (net) increased by ₹72 million.

During Fiscal 2016, TML Holdings Pte. Ltd., a subsidiary of the Company, has

- refinanced an existing unsecured multi-currency loan of US$600 million (US$250 million and SG$62.8 million maturing in November 2017 and US$210 million and SG$114 million maturing in November 2019) with a new unsecured loan of US$600 million (US$300 million maturing in October 2020 and US$300 million maturing in October 2022); and
- refinanced the existing SG$350 million 4.25% Senior notes due in May 2018 with a new syndicated loan of US$250 million maturing in March 2020.

During Fiscal 2018, TML Holdings Pte Ltd, has refinanced an existing unsecured loan of US$ 600 million (US$ 300 million maturing in October 2020 and US$ 300 million maturing in October 2022) and a syndicated loan of US$ 250 million maturing in March 2020 with a new unsecured loan of GB£ 640 million (GB£ 190 million maturing in July 2020, GB£ 225 million in July 2022 and GB£ 225 million in July 2023).

The Tata Motors Group funds its short-term working capital requirements with cash generated from operations, overdraft facilities with banks, short-and medium-term borrowings from lending institutions, banks and commercial paper. The maturities of these short-and medium-term borrowings and debentures are generally matched to particular cash flow requirements. The working capital limits are ₹14,000 crores from various banks in India as at March 31, 2018. The working capital limits are secured by hypothecation of certain existing current assets of the Company. The working capital limits are renewed annually.

Jaguar Land Rover Automotive plc currently has a GB£1.94 billion revolving credit facility with a syndicate of 31 banks, maturing in 2022. The revolving credit facility remained undrawn as at March 31, 2018.

Tata Motors Limited currently has ₹500 crores revolving credit facility which remained undrawn as at March 31, 2018.

Short-term borrowings as ast March 31, 2018 and 2017 is ₹16,794.85 crores and ₹13,859.94 crores respectively.

Some of the Company's financing agreements and debt arrangements set limits on and/or require prior lender consent for, among other things, undertaking new projects, issuing new securities, changes in management, mergers, sales of undertakings and investment in subsidiaries. In addition, certain negative covenants may limit the Company's ability to borrow additional funds or to incur additional liens, and/or provide for increased costs in case of breach. Certain of the Company's financing arrangements also include financial covenants to maintain certain debt- to-equity ratios, debt-to-earnings ratios, liquidity ratios, capital expenditure ratios and debt coverage ratios.

The Company monitors compliance with its financial covenants on an ongoing basis. The Company also reviews its refinancing strategy and continues to plan for deployment of long-term funds to address any potential non-compliance.

As at March 31, 2018, GB£542 million of cash was held by Jaguar Land Rover subsidiaries outside of the UK. The cash in some of these jurisdictions is subject to certain restrictions on cash pooling, intercompany loan arrangements or interim dividends. However, annual dividends are generally permitted and JLR do not believe that these restrictions have, or are expected to have, any impact on Jaguar Land Rover's ability to meet it's cash obligations.

Certain debt issued by Jaguar Land Rover is subject to customary covenants and events of default, which include, among other things, restrictions or limitations on the amount of cash, which may be transferred outside the Jaguar Land Rover group of companies in the form of dividends, loans or investments to the Company and its subsidiaries. These are referred to as restricted payments in the relevant Jaguar Land Rover financing documentation. In general, the amount of cash which may be transferred as restricted payments from the Jaguar Land Rover group to the Company and its subsidiaries is limited to 50% of its cumulative consolidated net income (as defined in the relevant financing documentation) from January 2011. As at March 31, 2018, the estimated amount that is available for dividend payments, other distributions and restricted payments was approximately GB£ 4,941 million.

FINANCIAL PERFORMANCE ON A STANDALONE BASIS

The financial information discussed in this section is derived from the Company's Audited Standalone Financial Statements. 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.

Effective April 30, 2018, the Company completed the merger of TML Drivelines Ltd (appointed date April 01, 2017) pursuant to scheme of arrangement of merger. Comparative numbers have been restated for the accounting impact of the merger.

	Fiscal 2018	Fiscal 2017
	(%)	(%)
Revenue from operations (net of excise duty)	100	100
Expenditure:		
Cost of material consumed (including change in stock)	73.0	70.5
Excise Duty	(0.6)	0.3
Employee cost	6.8	8.5
Product development / Engineering	0.8	1.0
Other expenses (net)	15.8	18.8
Amount capitalised	(1.5)	(2.1)
Profit before interest, tax, depreciation and amortisation	5.7	3.1
Other income	2.7	2.2
Profit before exceptional items, depreciation and amortisation, foreign exchange (gain)/loss interest and tax	8.4	5.3
Depreciation and amortisation (including product development / engineering expenses written off)	5.3	6.8
Finance costs	3.0	3.5
Foreign exchange (gain)/loss	-	(0.6)
Exceptional items – loss	1.7	0.8
Profit before tax	(1.6)	(5.3)
Tax expenses	0.2	0.2
Profit after tax	(1.8)	(5.5)

Fiscal 2018 has been a good year, followed a period of high demand in the automotive sector in India.

Revenue from operations of the Company for Fiscal 2018, stood at ₹59,624.69 crores as compared to ₹49,054.49 crores, increased by 21.5%. Total number of vehicles sold were 636,968 units in Fiscal 2018, as compared to 543,656 units in Fiscal 2017, a growth of 17.2%. Revenue from operations (net of excise duty) stood at ₹58,456.55 crores as compared to ₹44,430.95 crores, increase of 31.6%.

Cost of materials consumed (including change in stock)

	Fiscal 2018	Fiscal 2017
	(₹ in crores)	
Consumption of raw materials and components	37,080.45	27,651.65
Purchase of product for sale	4,762.41	3,945.97
Change in inventories of finished goods, Work-in-progress and products for sale	842.05	(252.14)
Total	**42,684.91**	**31,345.48**

Cost of material consumed increased to 73.0% of total revenue from 70.5% in Fiscal 2017, representing an increase of 250 bps, mainly due to product mix.

Excise duty for the Fiscal 2018 represents the reversal of excise duty on closing inventories as at July 1, 2017. Consequent to the introduction of Goods and Service Tax (GST) with effect from July 1, 2017, Central Excise, Value Added Tax (VAT) etc. have been replaced by GST. Excise duty for Fiscal 2018 was ₹793.28 crores in Fiscal 2018 as compared to ₹4,738.15 crores in Fiscal 2017. Of this recovery from sales was ₹1,168.14 crores for Fiscal 2018 as compared to ₹4,623.54 crores for Fiscal 2017. The same has been netted off against Revenue from operations to be comparable for discussion of performance.

Employee Costs were ₹3,966.73 crores in Fiscal 2018 as compared to ₹3,764.35 crores in Fiscal 2017, an increase by 5.4%, mainly due to higher volumes, annual increments, higher performance payment provisions for Fiscal 2018 and wage revisions at some plant locations.

Other Expenses includes all works operations, indirect manufacturing expenses, freight cost, fixed marketing costs and other administrative costs. These expenses have increased by 10.8%to ₹9,234.27 crores in Fiscal 2018 from ₹8,335.90 crores in Fiscal 2017. The breakdown is provided below:

	Fiscal 2018	Fiscal 2017	Change
			(₹ in crores)
Processing charges	1,240.88	1,004.45	236.43
Consumption of stores & spare parts	639.35	653.61	(14.26)
Freight, transportation, port charges, etc.	1,703.15	1,536.77	166.38
Power and fuel	545.12	483.48	61.64
Warranty expenses	766.18	493.33	272.85
Information technology/ computer expenses	711.95	762.39	(50.44)
Publicity	720.18	848.36	(128.18)
Allowances made/ (reversed) for trade and other receivables	(109.19)	133.72	(242.91)
Assets scrapped/ written off	995.47	141.45	854.02
Works operation and other expenses	2,021.18	2,278.34	(257.16)
Other Expenses	9,234.27	8,335.90	898.37

The changes are mainly driven by volumes and the size of operations.

i. Freight, transportation, port charges etc., as a percentage to total revenue, were 2.9% in Fiscal 2018, as compared to 3.1% in Fiscal 2017.

ii. Publicity expenses represented 1.2% of total revenues in Fiscal 2018 and 1.7% in Fiscal 2017. In addition to routine product and brand campaigns, the Company incurred expenses relating to new product introduction campaigns for the Nexon etc. Further, expenses were incurred for the Auto Expo and Geneva Motor Show.

iii. Warranty expenses represented 1.3% and 1%, of the Company's revenues in Fiscal 2018 and 2017, respectively. The increase was due to volumes of M&HCV. Further, the Company has increased product warranty period for certain vehicles from four years to six years.

iv. Information technology/computer expenses represented 1.2% and 1.6% of the Company's revenues in Fiscal 2018 and 2017, respectively.

v. Assets written off of ₹995.47 crores in Fiscal 2018 represents 1.7% of the Company's revenues.

vi There was reversal in allowances for trade and other receivables of ₹109.19 crores in Fiscal 2018, due to favorable litigation orders.

vii. Works operation and other expenses have decreased to 3.4% of net revenue in Fiscal 2018 from 4.9% in Fiscal 2017. Decrease is due to charge off of certain projects discontinued. The Company has run certain ImpACT projects thereby reducing its fixed costs.

Amount capitalized represents expenditure transferred to capital and other accounts allocated out of employee cost and other expenses, incurred in connection with product development projects and other capital items. The expenditure transferred to capital and other accounts has decreased by 9.2% to ₹855.08 crores in Fiscal 2018 from ₹941.60 crores in Fiscal 2017, mainly due to various product development projects undertaken by the Company for the introduction of new products and the development of engine and products variants.

Other Income increased by 58.8% to ₹1,557.60 crores in Fiscal 2018 from ₹981.06 crores in Fiscal 2017. This includes interest income of ₹397.71 crores in Fiscal 2018, compared to ₹187.90 crores in Fiscal 2017. Dividend income increased to ₹1,054.69 crores in Fiscal 2018 from ₹672.65 crores in Fiscal 2017, whereas profit on sale of investment decreased marginally to ₹103.17 crores in Fiscal 2018, compared to ₹116.76 crores in Fiscal 2017, primarily profit on sale of mutual funds.

Profit before exceptional items, depreciation and amortization, interest, foreign exchange (gain)/loss and tax is ₹5,358.18 crores in Fiscal 2018, representing 9.0% of revenue, compared to ₹2,793.27 crores in Fiscal 2017.

Depreciation and amortization: During Fiscal 2018, expenditures increased by 2.1% to ₹3,101.89 crores from ₹3,037.12 crores in Fiscal 2017. The depreciation has increased by 1.8% to ₹1,973.94 crores as compared to ₹1,939.77 in Fiscal 2017 is due to new product launches. The amortization expenses have increased by 2.8% to ₹1,127.95 crores in Fiscal 2018 from ₹1,097.35 crores in Fiscal 2017, and are attributable to new products introduced during the year.

Expenditure on product development / engineering expenses written off increased by 4.5% to ₹474.98 crores in Fiscal 2018 from ₹454.48 crores in Fiscal 2017.

Finance Cost has increased by 11.2% to ₹1,744.43 crores in Fiscal 2018 from ₹1,569.01 crores in Fiscal 2017. The increase is attributable to higher interest rates and borrowings.

Foreign exchange loss of ₹17.14 crores in Fiscal 2018 as compared to gain of ₹252.78 crores in Fiscal 2017. The loss was due to depreciation on INR as compared to USD.

Exceptional items

	Fiscal 2018	Fiscal 2017	Change
		(₹ in crores)	
Employee separation cost	3.68	67.61	(63.93)
Provision for impairment of investment in a subsidiary	-	123.17	(123.17)
Impairment of capitalized fixed assets	962.98	-	962.98
Provision for BSIII vehicles	-	147.93	(147.93)
Total	**966.66**	**338.71**	**627.95**

i. Employee separation cost: The Company has given early retirement to various employees resulting in an expense both in Fiscal 2018 and 2017.

ii. In order to make the Company fit for future certain product development programs were reviewed and accordingly an impairment charge of ₹962.98 crores were taken during Fiscal 2018.

iii. ₹147.93 crores for Fiscal 2017, relates to provision for inventory of BS III vehicles as at March 31, 2017.

Loss before tax was ₹946.92 crores in Fiscal 2018, compared to ₹2,353.27 crores in Fiscal 2017. Though the Company performed well in terms of sales and revenue and reducing the costs, the losses were due to certain one-time charges to make the Company "fit for future".

Tax Expense represents a net charge of ₹87.93 crores in Fiscal 2018, as compared to ₹76.33 crores in Fiscal 2017.

Loss after tax was ₹1,034.85 crores in Fiscal 2018 as compared to ₹2,429.60 crores in Fiscal 2017.

Standalone Balance Sheet

Property, plant and equipment and Other Intangible assets.

	As at March 31,		Change
	2018	2017	
			(₹ in crores)
Property, plant and equipment (including capital work - in-progress)	19,563.97	19,799.73	(235.76)
Other intangible assets (including assets under development)	7,137.29	8,145.09	(1,007.80)
Total	**26,701.26**	**27,944.82**	**(1,243.56)**

There is decrease (net of depreciation and amortization) in the intangible and tangible assets in Fiscal 2018. The decrease is mainly due to higher depreciation and amortization and certain write offs / provision for impairment during the year.

Investments in subsidiaries, joint ventures and associates were ₹14,632.51 crores as at March 31, 2018, as compared to ₹14,330.02 crores as at March 31, 2017. During Fiscal 2018, the Company made additional investments of ₹300 crores in Tata Motors Finance Holdings Ltd.

Investments (Current + Non-current) were ₹2,131.06 crores as at March 31, 2018, as compared to ₹2,965.79 crores as at March 31, 2017. The details are as follows:

	As at March 31,		Change
	2018	2017	
		(₹ in crores)	
Mutual Funds	1,517.03	2,437.42	(920.39)
Quoted Equity shares	303.84	218.18	85.66
Unquoted Equity shares	310.19	310.19	-
Total	**2,131.06**	**2,965.79**	**(834.73)**

There was decrease in mutual fund investments in Fiscal 2018. Increase in quoted equity shares were due to increase in market value as at March 31, 2018, and also due to investments in the Rights issue of Tata Steel Ltd.

Loans and Advances (Current + Non-current)

	As at March 31,		Change
	2018	2017	
		(₹ in crores)	
Non-Current loans and advances	143.96	391.46	(247.50)
Current loans and advances	140.27	215.96	(75.69)
Total	**284.23**	**607.42**	**(323.19)**

Loans and advances include advance to suppliers, contractors etc. Advance and other receivables increased to ₹68.03 crores as at March 31, 2018, as compared to ₹82.59 crores as at March 31, 2017, offset by reduction in inter-corporate deposits by ₹60 crores.

Other Financial Assets (Current + Non-current)

	As at March 31,		Change
	2018	2017	
		(₹ in crores)	
Other financial assets - non current	793.40	196.32	597.08
Other financial assets – current	646.31	141.54	504.77
Total	**1,439.71**	**337.86**	**1,101.85**

The above includes ₹878.54 crores on account of accrual of Government grants receivable. Further, it also consists of ₹242.34 crores of derivative financial instruments, as at March 31, 2018 compared to ₹291.10 crores as at March 31, 2017, reflecting notional liability due to the valuation of derivative contracts.

Inventories as at March 31, 2018, were ₹5,670.13 crores as compared to ₹5,553.01 crores as at March 31, 2017, an increase of 2.1%. In terms of number of days of sales, finished goods represented 13 inventory days in Fiscal 2018 as compared to 23 days in Fiscal 2017.

Trade Receivables (net of allowance for doubtful debts) were ₹3,479.81 crores as at March 31, 2018, representing an increase of 63.5% compared to ₹2,128.00 crores as at March 31, 2017. The allowances for doubtful debts were ₹543.50 crores as at March 31, 2018 compared to ₹693.17 crores as at March 31, 2017. The increase in Trade receivable is due to year end billings both at Tata Motors Ltd and Fiat India Automobiles Private Ltd.

Cash and cash equivalents were ₹546.82 crores, as at March 31, 2018, compared to ₹228.94 crores as at March 31, 2017. The increase was mainly attributable to balances with banks and cheques on hand, offset by deposit with banks.

Other bank balances were ₹248.60 crores, as at March 31, 2018, compared to ₹97.67 crores as at March 31, 2017. These include earmarked balances with banks of ₹248.53 crores as at March 31, 2018, compared to ₹86.60 crores as at March 31, 2017.

Current tax assets (net) (current + non-current) were ₹769.63 crores, as at March 31, 2018, compared to ₹902.16 crores as at March 31, 2017.

Other assets (Current + Non-current)

	As at March 31,		Change
	2018	2017	
			(₹ in crores)
Other assets - non current	1,546.39	1,858.45	(312.06)
Other assets – current	1,439.73	1,825.05	(385.32)
Total	**2,986.12**	**3,683.50**	**(697.38)**

These mainly includes prepaid expenses, including rentals on operating lease of ₹221.74 crores as at March 31, 2018, as compared to ₹234.02 crores as at March 31, 2017. Taxes recoverable, statutory deposits and dues from government were ₹1.978.74 crores as at March 31, 2018, as compared to ₹2,444.36 crores as at March 31, 2017. Capital advances were ₹285.54 crores as at March 31, 2018, as compared to ₹561.01 crores as at March 31, 2017. Recoverable form insurance companies were ₹212.96 crores as at March 31, 2018 as compared to ₹170.84 crores as at March 31, 2017.

Shareholders' fund was ₹20,170.98 crores and ₹21,162.61 crores as at March 31, 2018 and 2017, respectively, a decrease of 4.7%.

Reserves decreased by 4.8% from ₹20,483.39 crores as at March 31, 2017 to ₹19,491.76 crores as at March 31, 2018, mainly due to losses for Fiscal 2018.

Borrowings

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Long term borrowings	13,155.91	13,686.09	(530.18)
Short term borrowings	3,099.87	5,158.52	(2,058.65)
Current maturities of long term borrowings	2,208.06	512.37	1,695.69
Total	**18,463.84**	**19,356.98**	**(893.14)**

Current maturities of long-term borrowings represent the amount of loan repayable within one year.

Other financial liabilities

	As at March 31,		Change
	2018	2017	
			(₹ in crores)
Other financial liabilities - non current	211.28	1,130.23	(918.95)
Other financial liabilities – current	4,091.16	2,485.94	1,605.22
Total	**4,302.44**	**3,616.17**	**686.27**

These included ₹977.26 crores of financial guarantee contracts as at March 31, 2018 compared to ₹2,045.08 crores as at March 31, 2017. The reduction is due to payments of ₹905 crores and reduction in provision by ₹163 crores in Fiscal 2018. Current maturities of long-term borrowings were ₹2,208.06 crores as at March 31, 2018 as compared to ₹512.37 crores as at March 31, 2017. Further, interest accrued but not due on borrowings were ₹500.06 crores as at March 31, 2018 as compared to ₹449.73 crores as at March 31, 2017.

Trade payables were ₹9,411.05 crores as at March 31, 2018, as compared to ₹7,082.95 crores as at March 31, 2017, mainly due to creditors for goods supplied and services received, liabilities for variable marketing expenses, wage revisions etc.

Acceptances were ₹4,814.58 crores as at March 31, 2018, as compared to ₹4,379.29 crores as at March 31, 2017.

Provisions (current and non-current) were made towards warranty and employee benefit schemes. Short-term provisions are those, which are expected to be settled during next financial year. The details are as follows:

	As at March 31,		Change
	2018	2017	
	(₹ in crores)		
Long term provisions (Non-current)	1,009.48	892.18	117.30
Short term provisions (Current)	862.92	477.17	385.75
Total	1,872.40	1,369.35	503.05

i. Provision for warranty increased to ₹1,103.47 crores as at March 31, 2018, as compared to ₹666.82 crores as at March 31, 2017, an increase of ₹436.65 crores, mainly due to increase in volumes, higher warranty cost for BS IV models and also increase of warranty period for certain vehicle models.

ii. The provision for employee benefits obligations were flat at ₹655.05 crores as at March 31, 2018, as compared to ₹652.14 crores as at March 31, 2017.

Other liabilities

	As at March 31,		
	2018	2017	Change
	(₹ in crores)		
Other liabilities - non current	291.09	321.24	(30.15)
Other liabilities – current	1,917.60	1,870.80	46.80
Total	**2,208.69**	**2,192.04**	**16.65**

These mainly includes liability for advance received from customers of ₹896.35 crores as at March 31, 2018, as compared to ₹850.40 crores as at March 31, 2017. Deferred revenue were ₹441.32 crores as at March 31, 2018, as compared to ₹428.05 crores as at March 31, 2017. Statutory dues (GST, VAT, Excise, Service Tax, Octroi etc.) were ₹781.12 crores as at March 31, 2018, as compared to ₹803.11 crores as at March 31, 2017.

Deferred tax liability represent timing differences where current benefit in tax will be offset by a debit in the statement of profit and loss. The amount increased to ₹154.61 crores as at March 31, 2018, as compared to ₹147.58 crores as at March 31, 2017.

Standalone Cash Flow

	Fiscal 2018	Fiscal 2017	Change
	(₹ in crores)		
Net cash from operating activities	**4,133.94**	**1,453.45**	**2,680.49**
Profit/(Loss) for the year	(1,034.85)	(2,429.60)	
Adjustments for cash flow from operations	5,125.70	4,091.24	
Changes in working capital	51.50	(93.09)	
Direct taxes paid	(8.41)	(115.10)	
Net cash used in investing activities	**(710.27)**	**(2,859.00)**	**2,148.73**
Payment for property, plant and equipment and other intangible assets (net)	(2,794.80)	(3,496.49)	
Net investments, short term deposit, margin money and loans given	630.50	(294.03)	
Dividend and interest received	1,454.03	931.52	
Net Cash from/ (used in) financing activities	**(3,105.63)**	**1,208.80**	**(4,314.43)**
Proceeds from issue of shares	-	4.55	
Dividend Paid (including paid to minority shareholders	(2.75)	(73.00)	
Interest paid	(2,098.44)	(1,936.45)	
Net Borrowings (net of issue expenses)	(1,004.44)	3,213.70	
Net increase / (decrease) in cash and cash equivalent	**318.04**	**(196.75)**	**514.79**
Cash and cash equivalent, beginning of the year	228.94	427.07	
Effect of exchange fluctuation on cash flows	(0.16)	(1.38)	
Cash and cash equivalent, end of the year	**546.82**	**228.94**	

a) Increase in net cash from operations reflects better performance in Fiscal 2018. The cash from operations before working capital changes was ₹4,090.85 crores in Fiscal 2018 compared to ₹1,661.64 crores in Fiscal 2017. There was marginal net inflow of ₹51.50 crores in Fiscal 2018 towards working capital changes.

b) The net cash used in investing activities was ₹710.27 crores in Fiscal 2018 compared to ₹2,859.00 crores in Fiscal 2017, mainly attributable to:

- Decrease in Investments in mutual funds in Fiscal 2018 was ₹1,025.59 crores as compared to increase in investments by ₹537.40 crores in Fiscal 2017.
- The cash used for payments for fixed assets was ₹2,794.80 crores (net) in Fiscal 2018 compared to ₹3,496.49 crores in Fiscal 2017.
- Outflow by way of investments in subsidiary companies resulting of ₹300 crores in Fiscal 2018 as compared to ₹139.08 crores.
- Inflow due to dividends and interest in Fiscal 2018 was ₹1,454.03 crores as compared to ₹931.52 crores in Fiscal 2017.
- There was an outflow (net) of ₹110.96 crores in Fiscal 2018 compared to an inflow of ₹229.28 crores for Fiscal 2017 towards Fixed / restricted deposits.

c) The net change in financing activity was an outflow of ₹3,105.63 in Fiscal 2018 against inflow of ₹1,208.80 crores in Fiscal 2017. The outflow is attributable to:

- Long-term borrowings (net) – inflow of ₹1,034.70 crores in Fiscal 2018 as compared to ₹1,474.30 crores.
- Short-term borrowings (net) – outflow of ₹2,039.14 crores in Fiscal 2018 as compared to inflow of ₹1,739.40 crores.
- In Fiscal 2017, the Company paid dividend of ₹73.00 crores.
- In Fiscal 2018, interest payment was ₹2,098.44 crores as compared to ₹1,936.45 crores in Fiscal 2017.

d) There has been positive Free cash flows of ₹1,339 crores in Fiscal 2018 due to improved performance.

FINANCIAL PERFORMANCE OF JAGUAR LAND ROVER (AS PER IFRS)

The financial statements of Jaguar Land Rover are prepared in accordance with International Financial Reporting Standards (IFRS) applicable in the United Kingdom. This information is given to enable the readers to understand the performance of Jaguar Land Rover on a consolidated basis for the Jaguar Land Rover group.

Revenues for Jaguar Land Rover for Fiscal 2018 were GB£25,786 million, an increase of 5.9% compared to the GB£24,339 million in Fiscal 2017, driven primarily by increased wholesale volumes and favourable mix, reflecting the introduction of the Range Rover Velar.

Material and other cost of sales in Fiscal 2018 were of GB£16,328 million, up 8.3% compared to the GB£15,071 million in Fiscal 2017 (and increased as a proportion of revenue to 63.3% in Fiscal 2018 compared to 61.9% in Fiscal 2017) primarily driven by the increase in sales volumes and a generally stronger Euro vs the Pound Sterling.

Employee costs increased by 9.3% to GB£2,722 million in Fiscal 2018 compared to GB£2,490 million in Fiscal 2017, primarily reflecting increase in employees to support increased product development activities and increased production related to the launch of new models and increasing sales.

Other expenses (net of income) increased by 8.6% to GB£5,426 million in Fiscal 2018 compared to GB£4,997 million in Fiscal 2017 primarily reflecting an increase in fixed marketing costs, primarily related to the launch of new models, and higher engineering, related to increased R&D activities, and an increase in freight costs related to the increase in volumes.

Product development costs capitalized increased by 12.9% to GB£1,610 million in Fiscal 2018 compared to GB£1,426 million in Fiscal 2017 primarily related to the development of future models, technologies and production facilities.

EBITDA was GB£3,271 million (10.9% margin) in Fiscal 2018, up 10.7% compared to the EBITDA of GB£2,955 million (12.1% margin) in Fiscal 2017 due to the factors described above.

EBIT was GB£974 million (3.8% margin) in Fiscal 2018, down 32.6% compared to the EBIT of GB£1,445 million (6.0% margin) in Fiscal 2017 due to the lower EBITDA as well as an increase in depreciation and amortization, partially offset by higher profits from the company's China joint venture.

Profit before tax ("PBT") decreased by 4.6% to GB£1,536 million in Fiscal 2018 compared to GB£1,610 million in Fiscal 2017, reflecting the lower EBIT and favourable revaluation of unrealized foreign currency debt and hedges in Fiscal 2018 compared to unfavourable revaluation of foreign currency debt and the non-recurrence of favourable revaluation of unrealized commodity hedges in the prior year, partially offset by higher net finance expense. The exceptional items primarily include the pension credit of £437 million in Fiscal 2018 compared to the non-recurrence of £151 million of Tianjin recoveries in Fiscal 2017.

Profit after tax ("PAT") decreased by 10.9% to GB£1,133 million in Fiscal 2018 compared to GB£1,272 million in Fiscal 2017. The effective tax rate of 26.2% in Fiscal 2018 compared to the 21.0% in Fiscal 2017 primarily reflects a £54 million charge for the impact of the change in the US Federal rate from 35% to 21% on deferred tax assets.

Net cash generated from operating activities was GB£2,958 million in Fiscal 2018 compared to GB£3,160 million in Fiscal 2017, primarily reflecting lower profits in Fiscal 2018 compared the prior year and working capital inflows of £81 million compared to £467 million in Fiscal 2017, and Dividends received from the China joint venture of £206 million up from the GB£68 million dividend received in Fiscal 2017, however GB£312 million was paid in tax this fiscal year compared to £199 million in the prior year.

After GB£3,780 million of investment spending (excluding £406 million of expensed R&D), £125 million of net interest expense and £98 million of other outflows, free cash flow was negative

GB£1,045 million. Increases in debt of GB£370 million primarily reflects the US$500 million bond issued in October 2017 GB£150 million of dividends were paid to parent Company and £5 million of other distributions to non-controlling interests were paid during the year. As a result Jaguar Land Rover had a total cash balance of GB£4,657 million (comprising GB£2,626 million of cash and cash equivalents and GB£2,031 million of financial deposits) at March 31, 2018 compared to GB£5,487 million of total cash at March 31, 2017 (comprising GB£2,878 million of cash and cash equivalents and GB£2,609 million of financial deposits). With total cash of GB£4,657 million and an undrawn revolving credit facility of GB£1,935 million (amended and extended in July 2017) maturing in July 2022, total liquidity available to Jaguar Land Rover was GB£6,592 million at March 31, 2018, compared to GB£7,357 million at March 31, 2017.

FINANCIAL PERFORMANCE OF TATA MOTORS FINANCE LTD (AS PER INDIAN GAAP)

Consolidated revenue for TMF Holdings during Fiscal 2018 increased 5.7% to ₹2,875.53 crores, compared to ₹2,720.51 crores in Fiscal 2017. The Profit before tax was ₹290.28 crores in Fiscal 2018, compared to a loss before tax of ₹698.56 crores in Fiscal 2017. The Profit after tax was ₹217.41 crores in Fiscal 2018, as compared to a Loss of ₹1,182.29 crores in previous year. The GNPA reduced by 1,390 bps to 4% (measured on 90 days basis). NNPA at 3%.

FINANCIAL PERFORMANCE OF TATA DAEWOO COMMERCIAL VEHICLES (AS PER KOREAN GAAP)

During Fiscal 2018, TDCV, registered revenues of KRW 868.26 billion (₹5,035 crores), a drop of 15.8% over the previous year revenues of KRW 1,031.77 billion (₹5,986 crores), mainly due to lower domestic sales. The Profit After Tax was KRW 33.66 billion (₹203 crores) compared to KRW 50.25 billion (₹290 crores) of Fiscal 2017. Lower profitability was mainly due to the impact of lower sales which was partially set off by material cost reduction

FINANCIAL PERFORMANCE OF TATA TECHNOLOGIES LTD

The consolidated revenue of TTL in Fiscal 2018 decreased by 3.9% to ₹2,691.48 crores, compared to ₹2,801.95 crores in Fiscal 2017. The profit before tax decreased by 25.7% to ₹336.43 crores in Fiscal 2018, compared to ₹452.77 crores in Fiscal 2017. The profit after tax decreased by 30.5% to ₹245.71 crores in Fiscal 2018, as compared to ₹353.59 crores in Fiscal 2017. The Company suffered decline in revenue in Europe and North America primarily due to completion of vehicle programs and delay in the start of new programs due to client product plan changes, budgetary approval delays and softness in staffing deployments. This was partially offset by 6.8% growth in Asia Pacific regions. There has been increase in purchase of traded products, employee costs and other expenses partially offset by outsourcing and consultancy charges, leading to a decrease in profits.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an adequate system of internal controls in place. It has documented policies and procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls for ensuring reliability of financial reporting, monitoring of operations, and protecting assets from unauthorized use or losses, compliances with regulations. The Company has continued its efforts to align all its processes and controls with global best practices.

Some significant features of the internal control of systems are:

- The Audit Committee of the Board of Directors, comprising of independent directors and functional since August 1988, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with accounting standards as well as reasons for changes in accounting policies and practices, if any;
- Documentation of major business processes and testing thereof including financial closing, computer controls and entity level controls, as part of compliance programme towards Sarbanes-Oxley Act, as required by the listing requirements at New York Stock Exchange;
- An ongoing programme, for the reinforcement of the Tata Code of Conduct is prevalent across the organization. The Code covers integrity of financial reporting, ethical conduct, regulatory compliance, conflicts of interest's review and reporting of concerns.
- State-of-the-art Enterprise Resource Planning, supplier relations management and customer relations management connect the Company's different locations, dealers and vendors for efficient and seamless information exchange. The Company also maintains a comprehensive information security policy and undertakes continuous upgrades to its IT systems;
- Detailed business plans for each segment, investment strategies, year-on-year reviews, annual financial and operating plans and monthly monitoring are part of the established practices for all operating and service functions;
- A well-established, independent, multi-disciplinary Internal Audit team operates in line with governance best practices and based on its Internal Audit Charter. It reviews and discusses, with the management and reports directly to Audit Committee about compliance with internal controls.

The Board takes responsibility for the overall process of risk management throughout the organization. Through an Enterprise Risk Management programme, the Company's business units and corporate functions address risks through an institutionalized approach aligned to the Company's objectives. This is facilitated by internal 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.

During Fiscal 2018, the Company conducted an assessment of the effectiveness of the Internal Control over Financial Reporting and has determined that the Company's Internal Control over

Financial Reporting for Tata Motors Limited, its subsidiary companies, its joint operation companies, its associates and joint ventures, which are companies incorporated in India as at March 31, 2018, is effective.

The Company identified certain control weaknesses in its subsidiary Jaguar Land Rover during Fiscal 2018. The management has performed additional procedures and confirmed that there are no material misstatements in the financial statement. However, the Company's annual report in Form 20-F to be submitted to Securities Exchange Commission, USA is being finalized and hence the final assessment and reporting of Internal Controls over Financial Reporting, for the Company's subsidiaries incorporated outside India is pending.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company considers its human capital a critical factor to its success. Under the aegis of Tata Sons and the Tata Sons promoted entities, the Company has drawn up a comprehensive human resource strategy, which addresses key aspects of human resource development such as:

- The code of conduct and fair business practices;
- A fair and objective performance management system linked to the performance of the businesses which identifies and differentiates employees by performance level;
- Creation of a common pool of talented managers across Tata Sons and the Tata Sons promoted entities with a view to increasing their mobility through job rotation among the entities;
- Evolution of performance based compensation packages to attract and retain talent within Tata Sons and the Tata Sons promoted entities; and
- Development and delivery of comprehensive training programs to impact and improve industry- and/or function-specific skills as well as managerial competence.
- In line with the Company human resource strategy, it has implemented various initiatives in order to build better organizational capabilities that the Company believe will enable it to sustain competitiveness in the global marketplace. The Company's focus is to attract talent, retain the better and advance the best. Some of the initiatives to meet this objective include:
- Development of an agile organization through process modification, delayering and structure alignment and increase in customer facing roles;
- Changed organization structure has empowered teams, across each product lines, which will manage the product lifecycle and be accountable for the Profit and Loss;
- Extensive process mapping exercises to benchmark and align the human resource processes with global best practices;
- Outsource transactional activities to an in house back office (Global Delivery Center), thereby reducing cost and time of transaction;
- Talent management process redesigned with a stronger emphasis on identifying future leaders;
- Build strategic partnerships with educational institutions of repute to foster academia based research and provide avenues for employees to further their educational studies;
- Enhance company's image and desirability amongst the target engineering and management schools, to enable it to attract the best;
- Functional academies setup for functional skills development;
- Skill development of all Blue collared workforce to enable them to effectively meet the productivity and quality deliverables.
- Training youth under Government of India's National Employment Enhancement Mission in our skill development centers in all the plants. These trainees are given Automotive Skill Development Council certification, helping them get gainful employment in the industry. Engaging trainees benefit the company to meet the cyclicity of demand as well.

The Company employed approximately 81,090 and 80,389 permanent employees as at March 31, 2018 and 2017, respectively. The average number of flexible (temporary, trainee and contractual) employees for Fiscal 2018, was approximately 38,017 (including joint operations) compared to 38,120 in Fiscal 2017.

The following table set forth a breakdown of persons employed by the Company's business segments and by geographic location as at March 31, 2018 and 2017.

	As at March 31,	
	2018	2017
Segment	**No. of Employees**	
Automotive	72,683	72,259
Other	8,407	8,130
Total	**81,090**	**80,389**
Location	**No. of Employees**	
India	41,295	42,992
Abroad	39,795	37,397
Total	**81,090**	**80,389**

Training and Development: The Company has committed to the development of its employees to strengthen their functional, managerial and leadership capabilities. The Company has a focused approach with the objective of addressing all capability gaps and preparing its employees to adopt to fast changing external environment in order to meet its strategic objectives.

To achieve this, the Company has established the Tata Motors Academy, which addresses development needs of various segments of its workforce through a structured approach. The Tata Motors Academy focuses on three functional pillars – customer excellence, product leadership, and operational excellence – and one pillar on management education, all of which are aligned with the Company-level strategic objectives. The emphasis of functional academies is to strengthen knowledge, skills and expertise with an in depth approach, within respective function, and the emphasis of management education is developing general management and leadership skills. Tata Motors Academy also provides executive education opportunities in the areas of B.Tech, M.Tech, Executive MBA.

As an integral part of the Tata Motors Academy, the Company's Learning Advisory Council, which includes senior leaders from different parts of organization, aims to align its learning and development efforts, more closely with its business needs and priorities. The Learning Advisory Council is responsible for providing guidance and strategic direction to the Academies to design, implement and review the learning agenda.

The Company is now migrating from a trade-based training approach to a process-based training approach, which emphasizes team members' knowledge as related to their actual work, in addition to the general trade-based skills, which are learned at training institutes. These skills are very specific and not currently taught at the training institutes. To accomplish this, the Company is implementing a fundamental skills training initiative throughout organization. Its objective is to address key employee performance issues, such as inconsistent quality, poor craftsmanship, high frequencies of repair reworking and low productivity levels through training of front-line team members.

Union Wage Settlements: The Company has labour unions for operative grade employees at all its plant across India, except Dharwad plant. The Company has generally enjoyed cordial relations with its employees at its factories and offices and have received union support in the implementation of reforms that impact safety, quality, cost erosion and productivity improvements across all locations.

Employee wages are paid in accordance with wage agreements that have varying terms (typically three to five years) at different locations. The expiration dates of the wage agreements with respect to various locations/subsidiaries are as follows:

Location/subsidiaries	Wage Agreement valid until
Pune commercial vehicles	August 31, 2018
Pune passenger vehicles	March 31, 2019
Jamshedpur	March 31, 2019
Mumbai	December 31, 2018
Lucknow	March 31, 2020
Pantnagar	March 31, 2019
Sanand	September 30, 2020
Jaguar Land Rover – UK Plants	November 30, 2018

The Company's wage agreements link an employee's compensation to certain performance criteria that are based on various factors such as quality, productivity, operating profit and an individual's performance and attendance. The Company has generally received union support in its implementation of reforms that impact quality, cost erosion and productivity improvements across all locations. In addition to this the Company have signed settlement with a variable as part of wage cost and stagger payment instead of one time pay to be bring more cost effectiveness on account of fixed pay.

JAGUAR LAND ROVER

Jaguar Land Rover has always focused on the safety, security, wellbeing and development of the people. The Company nurture and retain talent through the Jaguar Land Rover Academy, an environment offering accredited learning for the employees at every stage of their career. Actively shaping education and contributing to the skills development available to our communities is part of our long-term recruitment strategy. So too is continuing our successful apprentice and graduate programme, working closely with academic partners such as the Warwick Manufacturing Group. The Company has been investing £100 million per year in the Jaguar Land Rover Academy for lifelong learning of employees. Around a quarter of the employees are actively working towards a formal academic or professional qualification at all levels from apprenticeship to doctorate. The Company has also up-skilled 7,000 engineers with Master-level education since our Academy technical accreditation scheme began in 2010.

Closing the gender gap and a digital call for the worlds brightest and best

Jaguar Land Rover has focused on attracting women into engineering and advanced manufacturing through programmes such as our Young Women in the Know initiative for female students aged 15 to 18. With fewer women than men in senior roles and a majority of men in production operations in factories, the gender gap can be hard to close. Traditionally, a lower number of women coming into the industry and flourishing within it has made this even harder. However, the Company is committed both to equality and encouraging a diverse workforce, and things are changing for the better. There has been a 21% increase in proportion of women in our management grades since 2014. In 2017, Jaguar Land Rover recruited more women than men (55% female) onto their Advanced Apprentice Programme. The Company has also developed new ways to seek out tomorrow's innovators, partnering with virtual band Gorillaz to find the next generation of software engineering brilliance, through code-breaking puzzles that test curiosity, persistence, lateral thinking and problem-solving. Those who have cracked them were interviewed by Jaguar Land Rover and the best were hired.

Human Rights

The Human Rights Policy sets out the commitment to respect and comply will all relevant laws, rules and regulations in the territories in which Jaguar Land Rover operates. These include provisions addressing slavery, human trafficking, forced labour, child labour and upholding each employee's right to freedom of association. The Company has refreshed the assessment of slavery and human trafficking risk risks and continue to deem the risk to be low.

OUTLOOK

The Indian automotive sector has the potential to generate upto US$300 billion in annual revenue by 2026, create 65 million additional jobs and contribute over 13% to India's GDP. Increased urbanization is firmly placed in the centre of this progress. As per World Bank study, by 2031, some 600 million people are expected to live in India's cities. Therefore, automakers are slated to be one of the greatest contributors to this futuristic plan of 100 smart cities by 2020. The Company has recently supplied Hybrid electric buses, which runs both on diesel and electric, and is economically viable, safe and environment-friendly.

A revival of the economy post-demonetization and implementation of GST are putting the country back on track. The Company is looking to be the major beneficiary for the increased infrastructure spending on roads, airports and expected high GDP. In Passenger vehicle, there has been a shift in the trend of buying from small passenger vehicles towards Utility Vehicles (UV). This shift will lead to more profitable growth for the Automobile sector. The passenger vehicle sector is expected to grow at 8%-10% in Fiscal 2019.

The Commercial Vehicles segment is expected to grow at low double digits. The continued government spending on infrastructure, robust rural economy and strong private consumption will be supporting the growth in this segment. Pre-buying is expected before implementation of BS VI in Fiscal 2020. The privatization of select State Transport undertakings bodes well for the bus segment. This can result in both the volumes and profitability.

There is an increasing buzz for e-mobility by 2030. The Company acknowledges the importance to environment risk and is prepared for the electric vehicles which is visible from the recent orders received from EESL and Government of Maharashtra. The Company has already started delivery of the vehicles to EESL. In addition to Electric vehicles, the Company is preparing itself to be efficient in not only BSVI emission norms, but also plans to take a holistic approach towards environment regulations and stay ahead in Industry.

The global premium auto industry is expected to grow at a CAGR of 2.6% between Fiscal 2018-24. Continued investment, by Jaguar Land Rover, in new products and technologies as well as expanding its production capacity in appropriate strategic locations, while balancing production with sales, is key for the success of the Company.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objective, projections, estimates and expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in government regulations, tax laws and other statutes and incidental factors.