

DIRECTORS' REPORT

To,

THE MEMBERS

TATA MOTORS FINANCE LIMITED

(Formerly known as Sheba Properties Limited)

The Directors feel privileged to present the 29th Annual Report on the business and operations of the Company and the statement of accounts for the year ended March 31, 2018.

1. BACKGROUND

Tata Motors Finance Limited (hereinafter referred as 'TMFL' or 'Company' (Formerly known as Sheba Properties Limited), is a subsidiary company of TMF Holdings Limited (Formerly Tata Motors Finance Limited), a Core Investment Company. The Company is registered with the Reserve Bank of India (RBI), under Section 45-IA of the RBI Act 1934, as a 'Systemically Important, Non-Deposit taking Non-Banking Finance Company (NBFC), classified as an Asset Finance Company.

With a strategic objective to become the umbrella financial services company within the Tata Motors Limited (TML) Group and to devote its dedicated business focus in meeting the financial services needs for the business growth of the TML Group, TMFL acquired entire retail financing business from TMF Holdings Limited through a scheme of arrangement which was approved by National Company Law Tribunal (NCLT) vide its order dated April 6, 2017 and scheme became effective with effect from May 9, 2017. At present, the Company (TMFL) is engaged in financing entire range of Passenger Vehicle & Commercial Vehicles manufactured by Tata Motors Ltd and its subsidiaries.

2. ECONOMIC AND INDUSTRY OVERVIEW

Economic Overview

The Indian Economy in Fiscal 2018 recovered post demonetisation and GST implementation. Economic activity remained subdued during the early part of the year wherein GDP growth rate slipped to a three-year low of 5.7% for the first quarter of the year. The same climbed up to 7.2% in third quarter and is expected to close the year at 6.6% for FY18.

Economic activity is expected to gather pace in 2018-19, benefitting from the structural reforms undertaken, revival in domestic demand and improved credit off-take. Increased focus on infrastructure and rural sectors in the Union budget shall help in rejuvenating investment activity and rural demand. Huge resource mobilisation from the primary market has strengthened investment activity, also recent deregulation measures and efforts to improve the ease of doing business have boosted foreign investment and shall bring in private investment.

According to The World Bank, the Indian economy is expected to grow by 7.3 per cent in 2019 and 7.5 per cent in 2020.

Automotive Industry overview

During the financial year 2017-18, Indian automotive industry witnessed a healthy double-digit growth. Overall domestic Passenger & Commercial vehicle sales in FY18 stood at 4.14 million units as against 3.76 million units, a growth of 10.2% YoY.

The domestic Commercial Vehicle (CV) industry sales volumes grew by 19.9% in FY18 over FY17, with medium and Heavy CV (M&HCV) sales growth of 12.4%. Growth in sales was aided by pent up demand post GST implementation, healthy replacement demand led by improving economic activity and stricter implementation of overloading norms in select States. Light Commercial Vehicles (LCVs) reported a healthy growth of 25.4% aided by pick-up in demand for Small Commercial Vehicles (SCVs) in consumption-driven sectors.

Domestic Passenger Vehicle (PV) industry grew by 7.9%, mainly driven by increasing popularity of Utility vehicles (UVs) with more and more consumers opting for UV's ahead of compact cars or sedans. UV segment registered a growth of 29.9%.

Going forward increased thrust on infrastructure projects, higher demand from consumption driven sectors and e-commerce logistic service providers shall continue to support demand in FY19. Further, the potential implementation of the vehicle scrappage program could trigger increased replacement demand.

Auto Industry also faces a challenge of large investments in R&D and product development towards implementation of upcoming regulatory changes, especially to meet BS VI emission norms, besides a push towards electric vehicles (EV) and improvement in safety standards.

NBFC Sector Overview

The financial sector landscape has changed materially over the past few years, with NBFC's gaining share in the overall credit pie, as banks faced asset quality challenges. NBFCs have seen growth in loan book across various segments in which these are operating. Retail NBFC portfolio growth in FY18 is expected to be 17-19% as compared to 15.5% in FY17.

Growth in NBFCs retail credit was supported by a healthy uptick witnessed in some key asset classes namely, commercial vehicles (CV), unsecured credit (including microfinance) and SME credit. NBFC's asset quality has largely been stable and resilient to the twin disruption of demonetization and GST implementation.

Market share of NBFC's would continue to expand with its ability to customize products, price the risk and manage ultimate credit costs, especially related to small-ticket loans, viz., microfinance, Light Commercial Vehicles (LCVs), used CV's, small ticket housing loans and loan against property. Government's increased focus on infrastructure and rural economy is also expected to boost NBFCs. Auto financiers are also engaging with technology partners to provide mobility solutions by deploying Rental and Leasing options to widen the scope of business in relatively untapped markets to provide mobility solutions on demand.

The only negative which is expected to put pressure on margins is the increase in borrowing costs considering the increase in bond yields and Bank loan rates.

3. FINANCIAL RESULTS

(Figures in Crore)

PARTICULARS	F.Y. 2017 -18	F.Y. 2016 -17
Total Income	2,393.46	412.20
Less: Finance Costs	1,073.19	175.50
Expenditure	950.19	177.81
Depreciation / Amortization	12.55	2.44
Profit Before Exceptional Item	357.53	56.45
Exceptional item	0.00	0.00
Profit Before Tax	357.53	56.45
Less: Tax Expense	29.95	12.54
Profit After Tax	327.58	43.91
Balance brought forward from previous year	74.64	44.92
Amount Available for Appropriations	402.22	88.83
APPROPRIATIONS		
Statutory Reserve	65.52	8.78
Dividend on equity shares	14.74	0.00
Dividend on preference shares	18.45	0.00
Interim dividend on equity shares	38.68	4.50
Tax on Dividend	14.63	0.92
Surplus carried to Balance Sheet	250.20	74.64

The Company has transferred 20% of the Net profit i.e., Rs. 65.52 Crore to Statutory Reserve created pursuant to the provisions of the RBI Act, 1934.

4. DIVIDEND

The Board of Directors, at its meeting held on March 26, 2018 had recommended interim dividend of Rs. 7.18/- per Equity Shares of face value of Rs.100/- each aggregating to Rs. 38.68 crore and it was paid on March 31, 2018. Further, the Board of Directors, at its meeting held on May 2, 2018 had recommended a final dividend of Rs.12.28 per Equity Share excluding the interim dividend and Rs. 8.20 per Compulsorily Convertible preference shares (CCPS), which will be subject to approval of the shareholders in their ensuing Annual General meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to

Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated proposed dividend including tax from Statement of Profit and Loss for the year ended March 31, 2018. Dividend will be payable to those Members whose names appear in the Register of Members as on May 25, 2018 i.e., the date of book closure/record date or the list of beneficiaries provided by depositories for dematerialised securities as of May 25, 2018. The proposed dividend on equity shares and CCPs and interim dividend paid during the year on equity shares will absorb a sum of Rs.135.59 crore excluding taxes.

5. OPERATIONS

During the financial year 2017-18, the Company recorded new vehicle finance (NVF) disbursements of Rs. 13,792 crore a growth of 59% in comparison to FY2016-17 disbursements of Rs. 8,835 crore. The Company financed overall 1,58,308 units of vehicles as compared to 1,12,024 units in FY 2016-17, registering a growth of 41%. Commercial Vehicle numbers grew by 48.5% to 1,15,689 units in FY 2017-18 as compared to 77,898 units in FY 2016-17. The Passenger vehicle segment grew by 11.1% to 42,619 units as compared to 34,126 units in FY 2016-17.

During the financial year ended March 31, 2018, the Company earned a total income of Rs. 2,393.46 crore with a profit before tax (PBT) of Rs. 357.53 crore and a profit after tax of Rs. 327.58 crore. These numbers are not comparable with previous year numbers on account of acquisition of NVF business from TMF Holdings w.e.f appointed date i.e., 31st Jan 2017. Total income for FY 2016-17 was Rs. 412.19 crore with PBT of Rs. 56.44 crore and PAT of Rs.43.91 crore.

6. FINANCE

During FY 2017-18, the Company met its funding requirements through a combination of short term debt (comprising Commercial Papers, Inter-corporate Deposits (“ICDs”) and Bank Loans) and long term debt (comprising Non-Convertible Debentures (“NCDs”) and Bank Loans). The total borrowings as of March 31, 2018 stood at Rs. 18,861 crore comprising of Bank Borrowings of Rs. 7,364 crore, Commercial Papers amounting to Rs. 5,630 crore, Non-Convertible Debentures of Rs. 5,607 crore and Inter Corporate deposit of Rs. 80 crore. The weighted average cost of borrowings for the year ended March 31, 2018 was 8.36% per annum on average borrowings of Rs. 15,944 crore. The Debt / Equity ratio as on March 31, 2018 was 5.04 times. The Company has been regular in servicing all its debt obligations.

7. CREDIT RATING

The ratings assigned to the Company in respect of borrowings are as follows:

No.	Instrument	CRISIL	ICRA	CARE
1.	Commercial Paper	CRISIL A1+	ICRA A1+	CARE A1+
2	Short Term Bank Facility	CRISIL A1+	ICRA A1+	NA
3	Long Term Bank Facility	CRISIL AA/ Positive	ICRA AA/Positive	CARE AA +; Stable
4	Non-Convertible Debenture	CRISIL AA/ Positive	ICRA AA/Positive	CARE AA +; Stable
5	Subordinated Tier II Debenture	CRISIL AA/ Positive	ICRA AA/Positive	CARE AA +; Stable
6	Perpetual Debt	CRISIL A+/ Positive	ICRA A+/Positive	CARE AA -; Stable

8. CAPITAL ADEQUACY

The Company's Capital adequacy as of March 31, 2018 is 16.56% (March 31, 2017: 17.49%), which is higher than the RBIs mandated level of 15.0%.

9. ASSIGNMENT OF RECEIVABLES

A) SECURITISATION

During the year, the Company concluded 2 securitisation transactions by assigning future loan receivables aggregating to Rs. 1,179.03 crore (Principal Outstanding Rs. 1,022.58 crore) to Special Purpose Vehicle (SPVs). As the transactions were par structures, the consideration received by the Company amounted to Rs. 1,022.58 crore. The pool of receivables was assigned AAA (SO) or its equivalent rating by various rating agencies. In order to secure the interests of the investors, the Company extended credit enhancement support of Rs. 121.66 crore by way of First Loss Facility (FLF) & Second Loss Facility (SLF) which constituted 11.90% of the pool Principal, in addition to subordination of Excess Interest Spread (EIS) in the pools.

B) DIRECT ASSIGNMENT

During the year, the Company also concluded 2 direct assignment transactions by assigning future loan receivables along with opening over dues in the pool, aggregating to Rs. 639.65 crore (Principal Outstanding Rs. 603.25 crore) to Tata Motors Finance Solutions Limited. As the transactions were premium structures, the Company received the discounted value of 90% of the assigned cash-flows, the balance 10% was retained by the Company in complying with the minimum retention requirement (MRR) as prescribed by RBI. Unlike securitisation, the Company is not required to offer credit enhancements in any form and retain any exposures other than the stipulated MRR.

While assigning the receivables by way of Securitisation & Direct Assignment as above, the Company has complied with the Minimum Holding Period (MHP) & Minimum Retention Requirement (MRR) in line with the revised Guidelines on Securitisation Transactions dated 21st August 2012 issued by RBI.

10. SHARE CAPITAL

During the year under review, the Company has issued and allotted 47,24,409 Equity Shares of Rs. 100/- each at a premium of Rs. 535/- aggregating to Rs.300 crore and 1,50,00,000 Cumulative Non-Participating Compulsorily Convertible Preference Shares (CCPS) of Rs. 100/- each at a premium of Rs. 100/- aggregating to Rs.300 crore to TMF Holdings Limited.

As at March 31, 2018, the Authorised Share Capital of the Company was Rs. 2000,00,00,000 (Rupees Two Thousand Crore) and Paid-Up Share Capital was Rs. 913,73,41,500/- (Rupees Nine hundred thirteen crore seventy-three lakhs forty-one thousand five Hundred only).

11. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The provisions of Section 186 of the Act pertaining to granting of loans to any persons or bodies corporate and giving of guarantees or providing security in connection with loans to any other bodies corporate or persons are not applicable to the Company since the Company is an Asset Finance NBFC. During the FY 2017-18, the Company did not make any investment or provide any guarantee in violation to the provisions of Section 186 of the Companies Act, 2013.

12. HUMAN RESOURCES

Human resources played an integral role in helping establish a performance oriented work culture at TMF. Key focused interventions/ initiatives implemented during FY 17-18 are:

- Launched gamified Wolf Pack Reward & Recognition program for Regions to promote a performance oriented work culture.
- Launched the KPA Incentive Policy for the employees to bring in a sharper focus on overall performance. The new payout grid focuses on rewarding over achievement, thus keeping the performance rigour high.
- Rolled out the PMS e-learning module on "Effective Performance Management" for all people managers.
- Active and engaged employees are more productive. #TMFisFIT was launched which engages and motivates employees to lead an active lifestyle. This gamified program using both online and offline engagement activities.
- IMPACT was launched for promoting employee volunteering which resolves around the CSR philosophy – It is IMPortant to ACT.
- Customized Leadership Development Programs for Senior Leaders were conducted with Ivy League faculty at ISB and TMTC – all senior leaders were covered in these programs.
- Launched next generation learning tool – Micro Mobile Learning App (#MIMO) on IOS and Android with 25+ Micro Mobile Learning Modules. The learning content is offered in short durations of 2 to 5 minutes at the most to match the human attention span using Visual Experience.
- All people managers across state, regional, and head office locations were trained on People Leadership through an external vendor across India.
- In Project Utkarsh (our off roll to on roll movement program) 1323 associates were on boarded as on roll employees in 2 phases.
- Focused initiatives like the ones mentioned above and more has helped us lower our voluntary attrition rate to 10.73% from 13.70% of last FY.

13. COMPLIANCE

The Company has deployed "Lexcare" ("Application"), an online platform to report and monitor compliances. The Application has features such as generation of compliance task alerts, generation of compliance reports and updating the compliance tasks based on regulatory developments. Compliance certificates are generated basis the Compliance Status Reports and placed before the Board on quarterly basis. During FY 2017-18, there were no frauds committed by the Company and the Company has complied with its reporting requirements, including with RBI, in terms of the Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016, as amended from time to time. Further, during FY 2017-18, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under section 143(12) of the Act. The Company has complied with all the applicable laws and regulations including those of the Reserve Bank of India.

14. REGULATORY ACTION

There are no significant or material orders passed by the regulators or courts or tribunals impacting the going concern status and operations of the Company in future.

15. DEPOSITS

During the year under review, the Company has not accepted any deposit under Section 2(31) and Section 73 covered under Chapter V of the Companies Act, 2013.

16. EXTRACT OF THE ANNUAL RETURN

As per the Companies (Amendments) Act, 2017, the requirement of having extract of Annual return (Form MGT-9) has been done away with by placing the copy of annual return on website of the company and the web address/ link disclosed in the Board's Report. Accordingly, the copy of annual return will be available on Company's website i.e. www.tmf.co.in.

17. ACCOUNTS AND ACCOUNTING STANDARDS

The Company adheres to the prudential guidelines prescribed by the Reserve Bank of India. The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

The particulars on related party exposures, non-performing assets and business levels in new vehicle financing, lease and other activities, required to be disclosed in the format prescribed by the RBI are contained in the Schedule forming part of the accounts.

18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, are not applicable to the Company.

During the year the Company did not have any earnings in foreign exchange (previous year Rs. Nil) and outgo in foreign exchange was Rs 200.59 Lakhs (previous year 20.68 lakhs).

19. DIRECTORS

Pursuant to scheme of arrangement as approved by National Company Law Tribunal (NCLT), the following changes took place in the Board of Company:

Cessations:

Sr. No.	Name of Director	Effective Date
1	Mr. Hoshang Sethna, Non-Executive Director	May 19, 2017
2	Mr. Mani Raman, Non-Executive Director	May 19, 2017

Appointments:

Sr. No.	Name of Director	Effective Date
1	Mr. Nasser Munjee, Non Independent, Non-Executive Director and Chairman of Board	May 19, 2017
2	Ms. Vedika Bhandarkar , Independent Director	May 19, 2017
3	Mr. Mayank Pareek, Non-Executive Director	May 19, 2017
4	Mr. Ravindra Pisharody , Non-Executive Director	May 19, 2017
5	Mr. C. Ramakrishnan, Non-Executive Director	May 19, 2017

Further, Mr. P.D. Karkaria whose term as an Independent Director of the Company expired on March 31, 2017 was re-appointed at Extra Ordinary General Meeting of members held on May 19, 2017 as independent director commencing from April 1, 2017 within the meaning of Section 149 and other applicable provisions of the Companies Act, 2013.

Mr. C. Ramakrishnan and Mr. Ravindra Pisharody ceased to be Non-Executive Directors of the Company pursuant to their vacation of office under Section 167(1)(h) of the Act w.e.f. January 31, 2018 from Tata Motors Limited, the Company's ultimate parent.

Based on the recommendation of the Nomination and Remuneration Committee ("NRC") of the Company, Mr. P.B. Balaji and Mr. Girish Wagh were appointed as Additional Non-Executive Directors of the Company w.e.f. January 29, 2018 in accordance with the provisions of Section 161(1) of the Act and shall hold the office till the ensuing Annual General Meeting of the Company.

In accordance with the requirements of Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Nasser Munjee and Mr. Mayank Pareek are liable to retire by rotation at ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a Notice as per the provisions of Section 160 of the Act, from a Member proposing the appointments of Mr. Nasser Munjee and Mr. Mayank Pareek as Directors of the Company.

All Independent directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act. The Directors have also disclosed their fit and proper status in accordance with the guidelines of RBI.

20. EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Pursuant to the provisions of the Act, the Board has carried out an annual evaluation of its own performance, the individual Directors (including the Chairman) as well as an evaluation of the working of all Board Committees. The Board of Directors was assisted by the Nomination and Remuneration committee (NRC). The performance evaluation was carried out by seeking inputs from all the Directors / Members of the Committees, as the case may be. The criteria for evaluating the performance of the Board as a whole, covered various aspects of the Board's functioning such as fulfilment of key responsibilities, structure of the Board and its composition, establishment and delineation of responsibilities of the Board Committees, effectiveness of Board processes, information and functioning, Board culture and dynamics, etc. The criteria for evaluation of individual Directors covered parameters such as attendance and contribution at meetings, guidance to Management, etc. The criteria for evaluation of the Board Committees covered areas related to degree of fulfilment of key responsibilities, adequacy of Board Committee composition, effectiveness of meetings, Committee dynamics, quality of relationship of the Committee with the Board and the Management, etc.

The feedback of the Independent Directors on their review of the performance of Non-Independent Directors and the Board as a whole, the performance of the Chairman of the Company and the assessment of the quality, quantity and timeliness of flow of information between the Company Management and the Board, was taken into consideration by the Board in carrying out the performance evaluation.

21. POLICY ON APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY OF THE COMPANY

The Nomination and Remuneration Committee (NRC) develops the competency requirements of the Board based on the industry and strategy of the Company and recommends the reconstitution of the Board, as and when required. It also recommends to the Board, the appointment of Directors having good personal and professional reputation and conducts reference checks and due diligence of all Directors, before recommending them to the Board. Besides the above, the NRC ensures that the new Directors are familiarised with the operations of the Company.

In accordance with the provisions of Section 178 of the Act, the Board of Directors has adopted a Remuneration Policy. The Policy on Board Diversity and Director Attributes has been framed to encourage diversity of thought, experience, knowledge, perspective, age and gender in the Board. The Remuneration Policy for Directors, Key Managerial Personnel and all other employees is aligned to the philosophy on the commitment of fostering a culture of leadership with trust. The Remuneration Policy aims to ensure that the level and composition of the remuneration of the Directors, Key Managerial Personnel and all other employees is reasonable and sufficient to attract, retain and motivate them to successfully run the Company.

The Company has also adopted a 'Fit and Proper' Policy for ascertaining the 'fit and proper' criteria to be adopted at the time of appointment of directors and on a continuing basis, pursuant to the RBI Master Directions for NBFCs.

22. KEY MANAGERIAL PERSONNEL

Subsequent to scheme of arrangement as approved by NCLT, the following changes took place in Key Managerial Personnel (KMP) position of the Company:

Sr. No.	Particulars	Effective Date
1	Mr. Anand Bang ceased as Manager	May 19, 2017
2	Ms. Ridhi Gangar ceased as Chief Financial officer	May 19, 2017
3	Mr. Neeraj Dwivedi ceased as Company Secretary	May 19, 2017
4	Mr. Samrat Gupta appointed as Chief Executive Officer	April 1, 2017
5	Mr. Anand Bang appointed as Chief Financial officer	May 19, 2017
6	Mr. Vinay Lavannis appointed as Company Secretary	May 19, 2017

As on the date of report, the key managerial personnel of the company are Mr. Samrat Gupta, Chief Executive Officer, Mr. Anand Bang, Chief Financial Officer and Mr. Vinay Lavannis, Company Secretary.

23. INTERNAL AUDIT, CONTROL SYSTEMS AND THEIR ADEQUACY

The Chief Internal Auditor of the Company, is empowered by the Audit Committee and Board of Directors to carry out Internal Audit function of the Company. The Company ensures adequate internal control systems to ensure operational efficiency, safeguarding its assets, accuracy and promptness in financial reporting and compliance with laws and regulations from time to time. The effectiveness of the functioning of internal control systems is the responsibility of all the employees.

Internal Audit Department evaluates the adequacy and effectiveness of Governance, Risk Management and Controls in the organization on a Risk Based approach under the plan approved by Audit Committee of Board. The reports are discussed and reviewed by the Senior Management and recommendations for improving the control environment are implemented on time bound manner.

The Company's Chief Internal Auditor reports functionally to the Chairman of the Audit Committee of the Board and administratively to Mr. Shyam Mani, Director. Further, the Chief Internal Auditor of Tata Motors Ltd, an ultimate holding Company continues to have an oversight on the internal audit function of the Company. The Internal Audit function of the Company also reviews and ensures that the audit observations are acted upon on a timely basis. The Audit Committee of the Board is reviewing the Internal Audit reports and the adequacy and effectiveness of its internal controls. The Company's audit comments are also separately reviewed by the Audit Committee of Tata Motors Limited. The Company's Internal Audit team under the guidance of the Chief Internal Auditor conducts audit of Corporate Management functions and branch operations. M/s. Deloitte Touche Tohmatsu India LLP, Chartered Accountants and PKF Sridhar & Santhanam LLP, Chartered Accountants have been appointed to support the Internal Audit Department of the Company for conducting audit of Corporate Management Function and branch operations respectively.

24. INTERNAL FINANCIAL CONTROLS

The Company has a well-placed, proper and adequate Internal Financial Control system which ensures that all assets are safeguarded and protected and that the transactions are authorised, recorded and reported correctly. The Company has in place the documented Standard Operating Procedures (SOPs), documented process flows and the Risk Control Matrices (RCM) for the key processes which are updated and validated periodically. The controls in the RCMs have been assessed during the year taking into consideration the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by The Institute of Chartered Accountants of India. Based on the results of such assessment carried out by management, the Company has determined that Company's Internal Controls over Financial Reporting as at March 31, 2018 is effective.

25. RISK AND CONCERNS

The Company recognizes the importance of risk management on account of increased competition and market volatility in the financial services business. The Company regularly reviews all the Key risks prioritized for Management as a part of its enterprise risk management framework with Risk Management Committee' of Directors. By design, the Company caters to some high risk profile customers. The Company has a well-developed and robust credit appraisal process which is reviewed from time to time, as required, to address any regulatory changes in the financial sector.

The 'Asset Liability Supervisory Committee' of Directors continued to closely monitor mismatches of assets liabilities and the 'Risk Management Committee' of Directors oversees the management of the integrated risks of the Company.

For the financial year 2018, the Company has consciously re-aligned assets and customer profile mix in sourcing to build a risk balanced portfolio. Risk scoring model (RSPM) has been effectively leveraged for sourcing lower-risk profiles. Behavioural scorecards and recovery models have been comprehensively used to decide collection strategy on all delinquent cases.

GNPA & NPA charge have been optimized while prioritizing repossessions and vehicle-sale using advanced collection analytics. Implementation of the sourcing & collections initiatives using analytics has started showing positive results in delinquency & NPA charge. The Company is a strong user of analytics and has invested significantly in human capital and technology in the area of analytics. Risk scoring models are deployed for sourcing and collections. Necessary tools and software have been deployed in the last year to enhance the analytical capabilities of the organization, a team of qualified statisticians and domain experts are engaged in developing necessary statistical models and analysis from time to time. The analytical capabilities of the organization have driven less manual intervention in decision making. In addition, analytics had driven standardization of processes leading to enhanced customer satisfaction.

26. ENTERPRISE RISK MANAGEMENT

The Company has structured approach towards Enterprise Risk Management (ERM) and has put a four themed approach to address the enterprise risk. They are:

- Financial risk
- Operational risk
- Strategic risk
- Hazard Risk

Over the years, the risks pertaining to financial and strategic risk to the Company have been managed in a systematic manner including a strong governance mechanism. The Company has identified the need to strengthen operational risk management and hence an initiative was taken to put a formal Operational Risk Management (ORM) framework with expert help of Deloitte. Under this framework various operational risks are identified through a self-assessment process. The identified risks are then categorized in terms of criticality and addressed through adequate risk mitigation plans.

27. CORPORATE GOVERNANCE

The Company recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better these practices by adopting the best practices.

The Company believes that governance practices enable the Management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximising value for all its stakeholders. The Company will continue to focus its resources and strengths, while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to Tata companies. As a part of the Tata Motors Group, the Company has a strong legacy of fair, transparent and ethical governance practices. In addition, the Company has adopted Governance Guidelines on Board Effectiveness, a Code of Conduct for Prevention of Insider Trading, a Vigil Mechanism, a Fair Practices Code, a Policy against Sexual Harassment in the Workplace, a Code of Conduct for Non-Executive Directors, Internal Guidelines on Corporate Governance.

The Company has signed the Tata Brand Equity and Business Promotion (BEBP) Agreement with Tata Sons Limited for subscribing to the TATA BEBP Scheme. The Company abides by the Tata Code of Conduct and the norms for using the Tata Brand identity.

a. Board of Directors

The Board of Directors, along with its Committees, provides leadership and guidance to the Company's Management and directs, supervises and controls the activities of the Company. The size of the Board is commensurate with the size and business of the Company.

- As on March 31, 2018, the Board comprised Eight (8) Directors viz. Mr. Nasser Munjee, Chairman, Ms. Vedika Bhandarkar, Mr. Hoshang Sinor, Mr. P. D. Karkaria, Mr. P.B. Balaji, Mr. Girish Wagh, Mr. Mayank Pareek and Mr. Shyam Mani.
- Ms. Vedika Bhandarkar, Mr. Hoshang Sinor and Mr. P. D. Karkaria are the Independent Directors of the Company and other Directors are Non-Executive Directors.
- During FY 2017-18, nine Meetings of the Board of Directors were held on May 19, 2017, July 26, 2017, October 10, 2017, October 27, 2017, November 24, 2017, November 29, 2017, January 08, 2018, January 29, 2018 and March 26, 2018. The details of attendance at Board Meetings and at the previous AGM of the Company are given below:

Name of Director	Category	Board Meetings		Whether present at previous AGM held on July 26, 2017
		Held	Attended	
Mr. Nasser Munjee	Non-Executive Non Independent Director	8	7	Yes
Ms. Vedika Bhandarkar	Independent Director	8	8	Yes
Mr. Hoshang Sinor	Independent Director	9	9	Yes
Mr. P.D. Karkaria	Independent Director	9	9	Yes
Mr. C. Ramakrishnan*	Non- Executive Director	8	5	Yes
Mr. Ravindra Pisharody*	Non- Executive Director	8	1	Yes
Mr. Mani Raman*	Non- Executive Director	1	1	No
Mr. P.B. Balaji**	Additional Non- Executive Director	1	1	No
Mr. Shyam Mani	Non- Executive Director	9	9	Yes
Mr. Mayank Pareek	Non- Executive Director	8	6	No
Mr. Girish Wagh**	Additional Non- Executive Director	1	0	No

*Mr. Mani Raman ceased to be a Non-Executive Director w.e.f. May 19, 2017. Mr. C. Ramakrishnan and Mr. Ravindra Pisharody ceased to Non-Executive Directors w.e.f January 31, 2018.

**Mr. P.B. Balaji and Mr. Girish Wagh were appointed as Additional Non-Executive Directors w.e.f January 29, 2018.

The Company paid Sitting Fees to Chairman, the Non-Executive Directors who are not in employment in Tata Companies and Independent Directors, for attending meetings of the Board and the Committees of the Board during FY 2017-18. Details of Sitting Fees and Commission are given below:

(Amount in Rs.)

Name of Director	Sitting Fees paid for attending Board and Committee Meetings during FY 2017-18
Mr. Nasser Munjee	5,60,000/-
Ms. Vedika Bhandarkar	9,40,000/-
Mr. Hoshang Sinor	11,20,000/-
Mr. P.D. Karkaria	10,70,000/-
Mr. C Ramakrishnan	4,70,000/-
Mr. Mayank Pareek	-
Mr. Ravindra Pisharody	-
Mr. Shyam Mani	-
Mr. Mani Raman	-
Mr. P.B. Balaji	-
Mr. Girish Wagh	-

- None of the Non-Executive Directors and Independent Directors had any pecuniary relationships or transactions with the Company during the year under review except the sitting fee as mentioned above.

b. COMMITTEES OF THE BOARD

The Board has constituted Committees with specific terms of reference to focus on specific issues and ensure expedient resolution of diverse matters. These include the Audit Committee, Nomination and Remuneration Committee, CSR Committee, Asset Liability Supervisory Committee, Risk Management Committee and Stakeholders' Relationship Committee.

The Company Secretary is the Secretary of all the aforementioned Committees. The Board of Directors and the Committees also take decisions by circular resolutions which are noted by the Board / respective Committees at their next meetings. The Minutes of meetings of all Committees of the Board are circulated to the Board of Directors, for noting.

I Audit Committee

The Audit Committee comprises three (3) Independent Directors viz. Ms. Vedika Bhandarkar (Chairperson), Mr. Hoshang Sinor, Mr. P.D. Karkaria and one Non-Executive Director, Mr. P.B. Balaji. The composition of the Audit Committee is in line with the provisions of Section 177 of the Act. All the Members have the ability to read and understand financial statements and have relevant finance and/or audit experience.

The Board has adopted an Audit Committee Charter which defines the composition of the Audit Committee, its authority, role, responsibilities and powers and reporting functions in accordance with the Act and Guidelines issued by RBI. The Charter is reviewed from time to time. Given below, *inter alia*, is a gist of the responsibilities of the Audit Committee.

- Recommend the appointment and removal of the Auditors and their remuneration, nature and scope of audit
- Ensure adequacy of internal controls and compliances and recommend remedial measures

- Review adequacy of the Internal Audit function
- Review and monitor the auditors' independence and performance and effectiveness of the audit process
- Oversee financial reporting process and disclosure of financial information
- Examine the financial statements and the auditors' report thereon
- Evaluate internal financial controls and the risk management systems
- Act as a link between the Statutory Auditors, the Internal Auditors and the Board of Directors
- Review accounting policies
- Monitor compliance with TCOC
- Approve any transactions of the Company with related parties or any subsequent modifications thereof
- Scrutinize inter-corporate loans and investments
- Evaluate the valuation of undertakings or assets of the Company, if necessary
- Monitor the end use of funds raised through public offers and related matters
- Review findings of internal investigations / frauds / irregularities, etc.
- Carry out additional functions as per the regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee
- Carry out the responsibilities under the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices.

During the year under review, eight meetings were held on May 18, 2017, July 26, 2017, October 25, 2017, October 27, 2017, November 29, 2017, January 08, 2018, January 29, 2018 and March 26, 2018. The composition of the Audit committee and the attendance of its Members at its meetings held during FY 2017-18 is given below:

Name of Member	Category	No. of Meetings	
		Held	Attended
Ms. Vedika Bhandarkar, Chairperson*	Independent Director	7	7
Mr. Hoshang Sinor	Independent Director	8	8
Mr. P.D. Karkaria	Independent Director	8	8
Mr. C Ramakrishnan**	Non -Executive Director	8	5
Mr. Mani Raman**	Non -Executive Director	1	1
Mr. P.B. Balaji***	Additional Non-Executive Director	1	1

* Ms. Vedika Bhandarkar was appointed on the Audit Committee w.e.f. May 19, 2017.

** Mr. Mani Raman and Mr. C. Ramakrishnan ceased to be members of Audit Committee w.e.f. May 19, 2017 and January 31, 2018 respectively.

*** Mr. P.B. Balaji was appointed on the Audit Committee w.e.f. January 29, 2018.

The Board has accepted all the recommendations made by the Audit Committee during the year. The invitees for Audit Committee meetings are Chief Executive Officer, Statutory Auditors, Chief Internal Auditor of the Company, Chief Financial Officer and Company Secretary. The minutes of the Audit Committee meetings form part of the Board papers circulated for Board Meetings. The Chairman of the Audit Committee briefs the Board members about significant discussions at Audit Committee meetings. The Internal Audit function is headed by the Chief Internal Auditor of the Company who reports to the Chairman of the Audit Committee to ensure independence of operations.

ii) Nomination and Remuneration Committee (NRC)

The 'Nomination and Remuneration Committee' of Directors had been constituted to ensure appointment of directors with 'fit and proper' credentials and to review the performance of the Managing/Whole-time Directors/Key Managerial Personnel, to review and recommend remuneration/compensation packages for the Executive Directors, to decide commission payable to the directors, to formulate and administer ESOPs, if any and to review employee compensation vis-à-vis industry practices and trends. A copy of the policy is placed on the website of the company i.e. www.tmf.co.in

The Nomination and Remuneration Committee comprises of one Independent Director viz. Mr. Hoshang Sinor, Chairman and two Non-Executive Directors i.e. Mr. Nasser Munjee and Mr. P.B. Balaji. The composition of the Nomination and Remuneration Committee is in line with the provisions of Section 178(1) of the Act.

During FY 2017–18, four Meetings of the NRC were held on May 19, 2017, August 23, 2017, October 10, 2017 and January 29, 2018. The composition of the NRC and the attendance of its Members at its Meetings held during FY 2017-18 are given below:

Name of the member	Category	No. of meetings	
		Held	Attended
Mr. Hoshang Sinor, Chairman	Independent Director	4	4
Mr. Nasser Munjee**	Non -Independent Director	3	3
Mr. P.D. Karkaria*	Independent Director	1	1
Mr. Hoshang Sethna*	Non -Executive Director	1	0
Mr. C. Ramakrishnan*	Non -Executive Director	4	3
Mr. P.B. Balaji***	Additional Non Executive Director	0	0

* Mr. P.D. Karkaria and Mr. Hoshang Sethna ceased to members of Nomination and Remuneration Committee (NRC) w.e.f. May 19, 2017. Mr. C. Ramakrishnan ceased to be a member w.e.f. January 31, 2018.

**Mr. Nasser Munjee was appointed on the Committee w.e.f. May 19, 2017.

***Mr. P.B. Balaji was appointed on NRC w.e.f. January 31, 2018.

iii) Risk Management Committee (RMC)

The "Risk Management Committee" of Directors manage the integrated risks of the Company. This committee comprises of Five (5) Directors namely Mr. Hoshang Sinor (Chairman), Ms. Vedika Bhandarkar, Mr. P.B. Balaji, and Mr. P.D. Karkaria, Mr. Shyam Mani.

During, FY 2017-18, three Meetings of the RMC were held on July 06, 2017, October 30, 2017 and March 28, 2018. The composition of the RMC and the attendance of its Members at its Meetings held during FY 2017-18 are given below:

Name of Member	Category	No. of Meetings	
		Held	Attended
Mr. Hoshang Sinor, Chairman	Independent Director	3	3
Ms. Vedika Bhandarkar*	Independent Director	3	3
Mr. P.D. Karkaria*	Independent Director	3	3
Mr. P.B. Balaji*	Additional Non -Executive Director	1	1
Mr. C Ramakrishnan**	Non -Executive Director	2	1
Mr. Shyam Mani	Non -Executive Director	3	3

*Ms. Vedika Bhandarkar and Mr. P.D. Karkaria were appointed on the Committee w.e.f May 19, 2017 and Mr. P B Balaji appointed on the Committee w.e.f January 29, 2018.

**Mr. C. Ramakrishnan ceased to be a member of the Committee w.e.f. January 31, 2018.

iv) Asset Liability Supervisory Committee (ALCO)

The 'Asset Liability Supervisory Committee' of Directors will oversee the implementation of the Asset Liability Management system and will periodically review its functioning. The 'Asset Liability Committee' comprising of senior executives constituted to carry out the necessary spade work for formalizing the ALM system in the Company reports to the 'Asset Liability Supervisory Committee' of Directors. This committee comprises of Four (4) Directors namely Mr. Hoshang Sinor, Chairman, Mr. P.B. Balaji, Mr. P.D. Karkaria and Mr. Shyam Mani.

During FY 2017-18, three Meetings of the ALCO were held on July 06, 2017, October 30, 2017 and March 28, 2018. The composition of the ALCO and the attendance of its Members at its Meetings held during FY 2017-18 are given below:

Name of Member	Category	No. of Meetings	
		Held	Attended
Mr. Hoshang Sinor, Chairman*	Independent Director	3	3
Ms. Vedika Bhandarkar	Independent Director	2	2
Mr. P.D. Karkaria*	Independent Director	3	3
Mr. C Ramakrishnan**	Non- Executive Director	2	1
Mr. Shyam Mani	Non- Executive Director	3	3
Mr. P.B. Balaji*	Additional Non- Executive Director	1	1

*Ms. Vedika Bhandarkar and Mr. P.D. Karkaria were appointed on the Committee w.e.f May 19, 2017 and Mr. P B Balaji appointed on the Committee w.e.f January 29, 2018.

**Mr. C. Ramakrishnan and Ms. Vedika Bhandarkar ceased to be members of the Committee w.e.f. January 31, 2018.

v) Corporate Social Responsibility (CSR) Committee

The Tata Group's ethos is deeply ingrained in the philosophy of societal development and is especially focused upon the engagement and upliftment of the disadvantaged sections of the society. The Company is committed to a policy of inclusive and sustainable growth for the marginalized communities. The Company shares the Group's belief that our society can only truly progress, if every individual can be included and empowered. To guide us in this journey, the Company has a well-defined Corporate Social Responsibility ("CSR") policy. The Company constituted the 'Corporate Social Responsibility' (CSR)

Committee to formulate and recommend to the Board, a CSR policy, recommend the amount of expenditure to be incurred on the activities and monitor CSR activities of the Company. The Corporate Social Responsibility (CSR) Committee of the Board consist of three (3) Directors namely Ms. Vedika Bhandarkar, Mr. Girish Wagh and Mr. Shyam Mani.

During FY 2017-18, one meeting of the CSR Committee was held on March 26, 2018. The composition of the CSR Committee and the attendance of its Members at its Meeting held during FY 2017-18 are given below:

Name of Member	Category	No. of Meetings	
		Held	Attended
Ms. Vedika Bhandarkar, Chairperson*	Independent Director	1	1
Mr. Girish Wagh*	Additional Non- Executive Director	1	0
Mr. Shyam Mani	Non- Executive Director	1	1
Mr. Ravindra Pisharody**	Non- Executive Director	0	0

** Ms. Vedika Bhandarkar and Mr. Girish Wagh were appointed on the Committee w.e.f. May 19, 2017 and January 29, 2018 respectively.

**Mr. Ravindra Pisharody ceased to be a member of the Committee w.e.f. January 31, 2018.

vi) Stakeholders' Relationship Committee (SRC)

The Company constituted Stakeholders' relationship Committee to consider and resolve the grievances of security holders of the Company. The Stakeholders Relationship Committee (SRC) Committee of the Board consist of 2 Directors namely Ms. Vedika Bhandarkar and Mr. P.D. Karkaria.

During FY 2017-18, one meeting of the SRC was held on October 27, 2017. The composition of the SRC and the attendance of its Members at its Meeting held during FY 2017-18 are given below:

Name of Member	Category	No. of Meetings	
		Held	Attended
Ms. Vedika Bhandarkar, Chairperson	Independent Director	1	1
Mr. P.D. Karkaria	Independent Director	1	1

c. Other informations

- The half-yearly Financial Results of the Company are submitted to the Stock Exchange (NSE) in accordance with the SEBI LODR Regulations and are published in a leading English daily newspaper and also communicated to the Debenture holders every six months through a half-yearly communiqué.
- Official news releases, including the half-yearly results, are also posted on the Company's website i.e., www.tmf.co.in. The 'Investors' section on the Company's website keeps the investors updated on material developments in the Company by providing key and timely information such as Financial Results, Annual Reports, etc.
- The Debentures issued on a private placement basis are listed on the Wholesale Debt Market segment of the NSE.
- The Company has appointed TSR Darashaw Limited ("TSR") as the Registrar and Transfer Agents ("RTA") for the privately placed debentures issued by the Company.

28. VIGIL MECHANISM/WHISTLE BLOWER POLICY

As required under Section 177 of the Companies Act, 2013, the Board adopted the Whistle-Blower Policy which provides a formal mechanism for all employees of the Company to approach the Management/ Audit Committee and make protective disclosures to the Management about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The disclosures reported are addressed in the manner and within the time frames prescribed in the Policy. No employee of the Company has been denied access to the Audit Committee.

29. DISCLOSURE AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013 (POSH)

The Company has zero tolerance for sexual harassment at workplace and has a Policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under for prevention and redressal of complaints of sexual harassment at workplace. The Company received NIL complaints on sexual harassment during the year. As a proactive measure, to sensitize and build skill of Internal Complaints Committee (ICC) members on POSH guidelines, all ICC members went through a training program facilitated by an external faculty.

30. AUDITORS

The shareholders at the Annual General Meeting of the Company held on July 26, 2017 had appointed the Statutory Auditors of the Company in following manner:

- Messrs. Deloitte Haskins & Sells LLP (DHS), Mumbai (ICAI Firm Registration number 117366W) as Statutory Auditors of the Company for Q1 FY 2017-18; and
- Messrs. BSR & Co, Chartered Accountants as Statutory Auditors of the Company from Q2 FY 2017- 18 onwards till the conclusion of AGM for FY 2021-22 subject to ratification at each Annual general meeting.

However, the requirement for ratification of auditor's appointment at every Annual General Meeting (AGM) have been omitted by the Companies (Amendment) Act, 2017, therefore, M/s BSR & Co, Chartered Accountants will continue to be the Statutory Auditors of the Company till the conclusion of AGM for FY 2021-22.

31. EXPLANATION ON STATUTORY AUDITOR'S REPORT

There are no qualifications, reservations or adverse remarks or disclaimers made by the Statutory Auditors in their Reports on the Financial Statements of the Company for FY 2017-18.

32. SECRETARIAL AUDITORS

The Board of Directors at their meeting held on May 19, 2017 approved the appointment of M/s. V N Deodhar & Associates, Practicing Company Secretary as Secretarial Auditor of the Company in terms of the provisions of section 204 of the Companies Act, 2013 for conducting the secretarial audit of the Company. Secretarial Audit report issued by M/s. V N Deodhar & Associates, Practicing Company Secretary, forming part of the Directors' Report for the year ended March 31, 2018 is enclosed as an Annexure "1" to this Report.

The Board of Directors have appointed M/s V. N. Deodhar & Associates, Practicing Company Secretary as Secretarial Auditor for FY 2018-19 at its meeting held on May 02, 2018.

33. INFORMATION ON MATERIAL CHANGES AND COMMITMENTS

There are no material changes or commitments affecting the financial position of the Company which have occurred between March 31, 2018 and May 2, 2018, being the date of this Report.

34. RELATED PARTY TRANSACTIONS

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Act. There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. The Company has adopted a Related Party Transactions Policy. The Policy, as approved by the Board, is uploaded on the Company's website.

35. CORPORATE SOCIAL RESPONSIBILITY

The Company has constituted Corporate Social Responsibility (CSR) Committee to formulate and recommend to the Board, a CSR policy, recommend the amount of expenditure to be incurred on the activities and monitor CSR activities of the Company. The annual report on CSR activities as required under Section 135 of the Companies Act, 2013 read with Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014, as amended, forming part of the Directors' Report for the year ended March 31, 2018 is enclosed as an Annexure "2" to this Report.

36. PARTICULARS OF EMPLOYEES

In accordance with Section 134 (2) read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, the Company had seven employees who were in receipts of remuneration of not less than Rs. 102 Lakh during the year ended March 31, 2018 or not less than Rs. 8.5 Lakh per month during any part of the said year.

Pursuant to this section and rule, report is being sent to all the Shareholders of the Company excluding the aforesaid information and the said particulars are made available at the Registered Office of the Company. The members interested in obtaining information under section 134 (2) may write to the Company Secretary at the Registered Office of the Company.

37. DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory auditors and secretarial auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2017-18. Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- b) the directors had selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis;
- e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

38. JOURNEY TOWARDS BUSINESS EXCELLENCE

TMF has accelerated its journey towards business excellence in an inimitable manner through having its own BE Program – TMF Business Enhancement Program (TBEP). The program is code named as DRIVE 650 which is very focussed approach aimed at taking TMF to pinnacle of excellence by 2020 by becoming proud recipient of prestigious JRD QV award @BE Convention in year 2020.

TMF is undertaking multiple initiatives and transforming itself into Process Centric Stakeholders' Focussed, continuously improving Aligned organization. This systematic approach would ensure sustained success in years to come as it readies itself for achieving never before business performance. TMF is thus blending process excellence with organizational performance which would hold it in good stead in years to come. In order to deepen the BE culture there is team of BE Champions identified across all functions who along with BE council is engaged in driving multiple initiatives.

The Company's focus on Business Excellence has deepened thru its initiative of having all its processes documented into Enterprise Business Process Manual. This would facilitate simplification in processes its understanding and appropriate process re-engineering when required to do so. The Business Transformation Plan 2019 has been put in place and being implemented through multiple approaches including having detailed Functional Score Cards for every function which would ensure that each function operates at significantly higher levels of process maturity levels.

TMF had crafted its Mission Vision Values (MVV) statements in 2009 keeping in view its core purpose and company's vision. Over the last nine years the Company has evolved significantly, operating at much higher levels and plans to take it forward. Keeping pace with changing times, TMF is reinventing itself and has appropriately finalized new MVV statements. This has been done thru collaborative approach wherein key management teams' members deliberated and has come up with new MVV statements reflecting the changing contours of both TMF & Tata Motors Limited (TML) ecosystem. This process was guided by International consultant having vast experience in strategy related projects.

TMF has developed appropriate business strategy map and cascading it through Balance Score card across the organization. There is very insightful business performance review method formalized and being put in place in from Apr 18 onwards.

To encourage implementation of innovation, the second edition of TMF Innovista was rolled out in line with TATA Innovista in Nov 17. Total of 891 innovation projects were registered by 600+ employees through this programme in FY 2016-17 and 6 winning teams were also recognised in the TMF Innovista finals. Also, 9 entries were nominated for Tata Innovista 2017. In year 2017-18 as many as 2000+ ideas were contributed by the employees there by reflecting deepening Innovation culture across the organization.

39. ACKNOWLEDGEMENTS

The Directors would like to place on record their gratitude for support received from the Reserve Bank of India and other Government and regulatory agencies and to convey their appreciation to Tata Motors Limited, TMF Holdings Limited, bankers, lenders, and all other business associates for the continuous support given by them to the Company. The Directors also place on record their appreciation of all employees of its holding Company who had extended their services to the Company for their commendable efforts, team work and professionalism.

On behalf of the Board of Directors of

TATA MOTORS FINANCE LIMITED

(Formerly Sheba Properties Limited)

NASSER MUNJEE

Chairman

Mumbai, May 2, 2018

(DIN: 00010180)

Annexure "1"

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FORTHE FINANCIAL YEAR ENDED 31st MARCH, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members,

TATA MOTORS FINANCE LIMITED

(Formerly known as Sheba Properties Limited)

10th F, 106 A & B, Makers Chambers III,

Nariman Point,

Mumbai-400 021.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Tata Motors Finance Limited (formerly known as Sheba Properties Limited)**, (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the **Tata Motors Finance Limited's** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on March 31, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **Tata Motors Finance Limited** ("the Company") for the financial year ended on 31st March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(Not applicable to the Company during the Audit Period)**,
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **(Not applicable to the Company during the Audit Period),**
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015,
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not applicable to the Company during the Audit Period),**
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company during the Audit Period),**
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008,
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; **(Not applicable to the Company during the Audit Period)**
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Audit Period)** and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the Company during the Audit Period)**

(vi) During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. We further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof on test-check basis, the Company has complied with the following laws applicable specifically to the Company.

- (a) The Reserve Bank of India Act, 1934,
- (b) RBI's NBFC Directions and Guidelines, Circular etc issued by RBI from time to time, applicable on NBFCs,

Additionally, a declaration on compliance of various statutes duly signed by the CEO and the Chief Financial Officer is submitted to the Board on quarterly basis.

We have also examined compliance with the applicable clauses of the following:

- Secretarial Standards issued by The Institute of Company Secretaries of India.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We further report that:

The Board of Directors of the Company was duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the Minutes of the Meetings of the Board of Directors or Committee of the Board as case may be.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period following events has occurred in the company:

- i. The Company has allotted 2900 Privately placed Secured, Redeemable, Non-Convertible Debentures of Rs.10,00,000/- each aggregating to an amount of Rs.290,00,00,000/- (Rupees Two Hundred & Ninety Crores only) to SBI Dual Advantage Fund Series XXII and ICICI Securities Primary Dealership Limited on Private Placement on May 30, 2017.
- ii. The Company has allotted 2500 Privately placed Secured, Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each aggregating to an amount of Rs. 250,00,00,000/- (Rupees Two Hundred & Fifty Crores only) to Reliance Capital Trustee Co. Limited A/c. Reliance Medium Term Fund on Private Placement on June 02, 2017.
- iii. The Company has allotted 3600 Privately placed Secured, Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each aggregating to an amount of Rs. 360,00,00,000/- (Rupees Three Hundred & Sixty Crores only) to five allotted on Private Placement on June 12, 2017.
- iv. The Company has allotted 1500 Privately placed Secured, Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each aggregating to an amount of Rs. 150,00,00,000/- (Rupees One Hundred & Fifty Crores only) to ICICI Securities Primary Dealership Limited on Private Placement on July 24, 2017.
- v. The Company has allotted 500 Subordinate Unsecured, Redeemable Non-Convertible Debentures of Rs. 10,00,000/- each aggregating to an amount of Rs. 50,00,00,000/- (Rupees Fifty Crores only) to ICICI Securities Primary Dealership Limited on Private Placement on November 13, 2017.

- vi. The Company has allotted 4724409 Equity Shares of Rs.100/- each at a premium of Rs.535/- per share aggregating to an amount of Rs.299,99,99,715/- (Rupees Two Hundred Ninety Nine Crores Ninety Nine Lakhs Ninety Nine Thousand Seven Hundred & Fifteen only) to TMF Holdings Limited on January 12, 2018.
- vii. The Company has allotted 15000000 Cumulative Non-Participating Compulsorily Convertible Preference Shares of Rs.100/- each at a premium of Rs.100/- each aggregating to an amount of Rs.300,00,00,000/- (Rupees Three Hundred Crores only) to TMF Holdings Limited and 2000 Privately placed Redeemable Unsecured Unlisted Subordinated Non-Convertible Debentures of Rs.10,00,000/- each aggregating to an amount of Rs.200,00,00,000/- (Rupees Two Hundred Crores only) to TMF Holdings Limited on March 31, 2018.

For **V.N. DEODHAR & CO.,**

V.N. DEODHAR

PROP.

Place: Mumbai

Dat: April 26, 2018

FCS NO.1880

C.P.No. 898

A brief outline on the Company's CSR Policy, including overview of projects or programs.

At Tata Motor Finance, our 'Community Impact' and 'Sustainability' initiatives are built around being a good corporate citizen. The Company has stated sustainability objective of being a socially responsible corporate aiming to improve the quality of life in the communities we serve. Our CSR strategy has focused initiatives under three broad brands i.e Initiatives which involve reaching out to the society and community at large are under "I-Care", Environmental impact initiatives are grouped under "Think Green". Employee volunteering is an integral part of our CSR philosophy and the Company encourages our employees to actively participate in the community and environmental impact projects. To instil volunteering culture at TMF, IMPACT was launched in June'17. IMPACT – which stands for it is important to act. In order to build a sustainable society, the Company believes in engaging the key stakeholder -Community, Business and Employees through volunteering.

Our flagship community impact project 'Uddan' with our NGO partner Magic Bus is actively running at two locations – Bhandara & Joynagar. This is a childhood to livelihood program which focuses on bringing in behavioural change. The Company wants to be part of this change by giving educational support and by facilitating livelihood opportunities. Bhandara project is now in the third year and has shown positive developments in the midline project assessment. At Bhandara, the key indicators of the project are: (i) Regular Attendance at School (ii) More girls completing their graduation (iii) Delayed Early Marriages (iv) Employment post livelihood program. During FY 17-18, approximately 3000 girls were covered in this program at Bhandara. Key indicators from Baseline conducted before the project inception and the midline conducted in Sep'17:

- 20% more girls attend school regularly, from 77% at Baseline to 97% at Midline
- 6% more girls want to graduate, from 60% at baseline to 76% at Midline
- 81% scholarship recipients scored 60% and above in science and social sciences
- 38% more girls are aware of adverse consequences of early marriages from 46% in baseline to 84% in midline
- 14% more girls are aware about the legal age for marriage from 79% in baseline to 93% in midline
- 64% girls in the learning enhancement program showed >30% improvement in Math

In second Uddan Project at Joynagar, West Bengal approximately 2900 girls were covered during FY17-18. 34 girls received scholarships and close to 1000 remedial sessions were conducted for select students in 6 schools from 6th to 8th grade for English language and Maths in Joynagar.

'Jeevan Doot', the Company's first respondent program meant to facilitate basic and preliminary emergency care to the victims of road crash was launched in Feb'18. This program aims to improve the state of emergency response care to the victims of road crashes in Mumbai by training the community volunteers as first responders at select blackspots on Mumbai roads. The project is being implemented by United Way of Mumbai in collaboration with the Mumbai Traffic Police, Motor Vehicle Department, 108 Ambulance Service and the disaster management unit of Municipal Corporation of Greater Mumbai.

During the year, the Company actively participated in group initiatives like Tata Sustainability Month, ProEngage- skill based volunteering, Tata Volunteering Week 8 and 9. At TMF, the employee engagement activities are intertwined with employee volunteering and during festivals; the employees actively engage in various community outreach events and sustainability initiatives.

On the birthday of employees, the Company plant a tree and the employee gets an e-certificate for planting these trees. In endeavour to care for environment, the Company has installed waterless urinals in the Head Office which helps in saving water. To control power consumption, the Company has a “Lights Off” policy. According to this policy, lights go off after 7.30 pm in all offices. This also encourages the employees to maintain work life balance.

1. The composition of the CSR Committee

As on March 31, 2018, the members of CSR Committee were Ms. Vedika Bhandarkar, Chairperson & Independent Director, Mr. Girish Wagh, Non-Executive Director and Mr. Shyam Mani, Director.

2. Average net profit of the company for last three financial years: NIL

Average Profits for 3 Years: (2,641) Lakhs

3. Prescribed CSR Expenditure (two percent of the amount as mentioned above)

The prescribed CSR Expenditure is NIL. According to our profit figures (as mentioned above), 2% spend on CSR is not applicable to us. As a good corporate governance practice, the Company has voluntarily spent towards the community welfare initiatives.

4. Details of CSR spent during the financial year

(a) Total amount to be spend for the financial year FY 17-18: Nil

Amount Budgeted for Project Uddan for FY 17-18 is Rs. 200 Lakhs.*

(b) Amount unspent, if any: Rs. 22.3 Lakhs **

(c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (Budget) project or programs wise*	Amount spent on the projects or programs Sub heads: Direct expenditure on project or programs Overheads	Cumulative Expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Project Uddan	Girl Child	* Bhandara in Maharashtra * Joynagar in Kolkata	Rs. 1,11,51,135 Rs. 89,26,921	Rs. 50,38,401 (plus Rs.12,05,085 adjusted from underspent of FY16-17) Rs. 33,42,507(plus Rs.13,03,016/- adjusted from underspent of FY16-17)	Rs. 47,10,823 Rs. 39,19,813	Rs. 62,43,486 Rs.46,45,523
	Total			Rs.2,00,78,056	Rs.83,80,908 (plus Rs.25,08,101/-)	Rs.86,30,636	Rs.1,08,89,009 ***

*The amounts mentioned above are only towards our flagship program Uddan.

**The differential underspent amount will be utilized in FY18-19.

***The above figure of Rs. 1,08,89,009/- is a total of LY (16/17) underspent plus grant released in FY (17/18)

5. **In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in the Board report.**

Not Applicable.

6. **Responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.**

The CSR committee is responsible and fully committed for the monitoring the CSR programmes and compliance under the Companies Act, 2013.

For and on behalf of the Board of Directors

TATA MOTORS FINANCE LIMITED

Date: May 2, 2018

Place: Mumbai

NASSER MUNJEE

Board Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Overview

Global

The global economic upswing that began around mid-2016 has become broader and stronger. Recent World Economic Outlook report by IMF projects that advanced economies as a group will continue to expand above their potential growth rates this year and next before decelerating, while growth in emerging market and developing economies will rise before leveling off.

World growth strengthened in 2017 to 3.8 percent, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. Global growth is expected to tick up to 3.9 percent this year and next, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States. The partial recovery in commodity prices should allow conditions in commodity exporters to gradually improve.

However, risk emerges from tightening of Monetary policy sooner than expected, a notable possibility in the United States, where fiscal policy has turned much more expansive even as the economy has neared full employment. Financial tightening, in turn, would stress highly indebted countries, firms, and households, including emerging market economies. Also an escalating cycle of trade restrictions and retaliation is another risk. Multilateral cooperation across countries on a range of issues stretching from trade to reducing global imbalances to cyber security to climate remains essential.

Domestic

The Indian Economy in Fiscal 2017 on a macroeconomic level saw recovery in growth. Post the implementation of demonetisation and GST implementation, economic activity remained subdued during the early part of the year. GDP growth rate that had slipped to a three-year low of 5.7% for the first quarter of the year, climbed up to 7.2% in third quarter and is expected to close the year at 6.6% for FY18.

Economic activity is expected to gather pace in 2018-19, benefitting from the structural reforms undertaken, revival in domestic demand and improved credit off-take shall further aid the manufacturing activity. All time high allocations have been made towards infrastructure for 2018-19. Total infrastructure expenditure is expected to be Rs 5.97 lakh crore compared with Rs. 4.94 lakh crores in 2017-2018 shall help in rejuvenating Investment activity and rural demand. Huge resource mobilisation from the primary market has strengthen investment activity, also recent deregulation measures and efforts to improve the ease of doing business have boosted foreign investment and shall crowd in private investment.

According to The World Bank, the Indian economy is expected to grow by 7.3 per cent in 2019 and 7.5 per cent in 2020.

Automotive Industry overview

Financial year 2017-18 saw a healthy double-digit growth for the Indian automotive industry.

Auto sales recovered sharply post demonetisation and GST implementation domestic. Overall domestic Passenger & Commercial vehicle sales in FY18 stood at 4.14 mn units as against 3.76 mn units reporting a growth of 10.2% YoY. Indian automotive industry, overtook Germany to become the fourth largest global automotive market, right behind China, United States and Japan.

Going forward increased thrust on infrastructure projects, higher demand from consumption driven sectors and e-commerce logistic service providers shall continue to support demand in FY19

The domestic commercial vehicle (CV) industry sales volumes grew by 19.9% in FY18 over FY17, with medium and Heavy CV (M&HCV) sales growth of 12.4% and Light Commercial Vehicles reporting a healthy growth of 25.4% aided by pick-up in demand for SCVs in consumption-driven sectors.

CV Industry sales growth was aided by pent up demand post GST implementation, healthy replacement demand led by improving economic activity and stricter implementation of overloading norms in select states. Key driver for M&HCV Industry for FY19 is expected to be higher budgetary allocation towards infrastructure and rural sectors. Further the potential implementation of the vehicle scrappage program could trigger increased replacement demand.

Domestic Passenger Vehicle (PV) industry grew by 7.9%, mainly driven by increasing popularity of UVs with more and more consumers opting for UV's ahead of compact cars or sedans, UV segment registered a growth of 29.9%. New launches and low current penetration levels remain the key business drivers for the future.

NBFC Sector Overview

The financial sector landscape has changed materially over the past few years, with NBFC's gaining share in the overall credit pie, as banks faced asset quality challenges. The share of NBFC's in total credit extended by banks and NBFC's together increased from 9.5% in March 2008 to 15.5% in March 2017. NBFC's across various segments have seen growth in loan book. Retail NBFC portfolio growth in FY18 is expected to be 17-19% as compared to 15.5% growth in FY17.

The credit growth recovered in FY18 as uncertainties related to demonetisation and impact of GST implementation disperses. The growth in NBFC retail credit was supported by a healthy uptick witnessed in some key asset classes namely, commercial vehicles (CV), unsecured credit (including microfinance) and SME credit. NBFC's asset quality has largely been stable and been largely resilient to the twin disruption of demonetization and goods and services tax implementation.

Market share of NBFC's would continue to expand with its ability to customize products, price the risk and manage ultimate credit costs, especially related to small-ticket loans, viz., microfinance, LCVs, used CV's, small ticket housing loans and loan against property. Governments increased focus on infrastructure and rural economy is also expected to be boost to NBFC's. The only negative which is expected to put pressure on margins is the increase in borrowing costs considering the increase in bond yields and Bank loan rates.

NBFCs would continue to expand in certain asset classes and in small ticket loans, where banks are clearly less efficient (viz. microfinance loans, light commercial vehicles (CVs), used CVs, small ticket housing, small ticket loan against property (LAP)). Also, wholesale and diversified NBFCs would continue to gain the credit market shares being vacated by banks owing to either capital constraints, flight to safety or limited ability to price the risk.

OPERATIONS & COMPANY'S PERFORMANCE

TMFL during FY2018 disbursed loans of Rs. 13,792 crores a growth of 59% as against FY2017 disbursal of Rs. 8,835 crores. Count of vehicle financed grew by 41.0%; the Company financed 1,58,308 units of vehicles as compared to 1,12,024 units in FY 2017. Commercial Vehicle numbers grew faster by 48.5% to 1,15,689 units in FY 2018 as compared to 77,898 units in FY 2017. The Passenger vehicle segment grew by 11.1% to 42,619 units in FY 2018 as compared to 34,126 units in FY 2017. Strong recovery in the CV Segment led to healthy growth in disbursals. However, downward trend in interest rates and increasing competitive environment has put pressure on yields.

During the financial year ended March 31, 2018, the Company earned a total income of Rs. 2,393.46 Crore with a profit before tax (PBT) of Rs. 357.53 Crore and a profit after tax of Rs. 327.58 Crore. These numbers are not comparable with previous year numbers on account of acquisition of NVF businesses. Total income for FY 2017 was Rs. 412.19 Crore with PBT of Rs. 56.44 Crore and PAT of Rs.43.91 Crores.

CAPITAL

During FY 2017-18, TMFL raised an amount of Rs. 300 crs from its parent TMF Holdings through issue of 47.2 Lakhs equity shares bearing a face value of Rs. 100 each at a price of Rs. 635 per share. Also Company had issued 150 Lakh, cumulative, non-participating compulsorily convertible preference shares (CCPS) bearing a face value of Rs. 100 each at a price of Rs. 200 per share aggregating to Rs. 300 Crores. The holders of the CCPS are entitled for dividend @ 8.20% on a yearly basis, in preference to the equity shareholders of the Company.

This will help the Company to continue its future growth plans on a healthy capital base

CAPITAL ADEQUACY

As on 31st March, 2018, the Capital to Risk Assets Ratio (CRAR) of Company was 16.6%. Out of the above, Tier I capital adequacy ratio stood at 11.8% and Tier II capital adequacy ratio stood at 4.7%, respectively. The minimum requirement for the capital adequacy ratio is 15.0% CRAR prescribed by the Reserve Bank of India

RBI GUIDELINES

The Company has complied with all the applicable regulations of the Reserve Bank of India (RBI).

CREDIT RATING

The credit rating enjoyed by the Company as on March 31, 2018 is as follows

Credit rating			
Name of the rating Agency	CRISIL	ICRA	CARE
Rating of Borrowing Products			
Commercial Paper	CRISIL A1+	ICRA A1+	CARE A1+
Short Term Bank Facility	CRISIL A1+	ICRA A1+	NA
Long Term Bank Facility	CRISIL AA / Positive	ICRA AA / Positive	CARE AA+; Stable
Non Convertible Debenture	CRISIL AA / Positive	ICRA AA / Positive	CARE AA+; Stable
Subordinated Tier II Debenture	CRISIL AA / Positive	ICRA AA / Positive	CARE AA+; Stable
Perpetual Debt	CRISIL A +/- Positive	ICRA A +/- Positive	CARE AA-; Stable

INTERNAL CONTROL SYSTEMS

Internal control systems at TMFL are adequate and commensurate with its size and the nature of its operations. The Company's system of internal controls is designed to provide a high degree of assurance regarding the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations.

The Internal Audit Department reports to the Audit Committee of the Board of Directors of the Company. The department conducts comprehensive audits of functional areas and operations of the Company to examine the adequacy of and compliance with policies, plans and statutory requirements.

Any significant observations from the audit are reported to the Audit Committee and follow-up actions are taken accordingly. The Audit Committee also reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

INDEPENDENT AUDITOR'S REPORT

To the Members of
Tata Motors Finance Limited
(Formerly known as Sheba Properties Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of Tata Motors Finance Limited (formerly known as Sheba Properties Limited) ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit / loss and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, its profit and its cash flows for the year ended on that date.

Other matter

The comparative financial information of the Company for the year ended 31 March 2017 have been audited by the predecessor auditor who had audited the financial statements for the relevant period. The report of the predecessor auditor on the comparative financial information dated 19 May 2017 expressed an unmodified opinion.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder;
- (e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls with reference to the financial statement of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i The Company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note 31 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer Note 31 to the financial statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
 - iv. The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 have not been made since the requirement does not pertain to the financial year ended 31 March, 2018. Corresponding amounts as appearing in the audited financial statements for the year ended 31 March 2017 have been disclosed.

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

Manoj Kumar Vijai

Place: Mumbai
Date: May 2, 2018.

Partner
Membership No: 046882

“Annexure A” to the Independent Auditor's Report - 31 March 2018

(Referred to in 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

We report that:

- I (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Some of the fixed assets were physically verified during the year by management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except for the details given below:

Particulars of the Land and Building	Gross Block as on 31 March 2018 (Rs.in Lakhs)	Net Block as on 31 March 2018 (Rs.in Lakhs)	Remarks
Residential Flat in Nilgiri Upvan Co-operative Housing Society Limited	61.48	60.22	This asset was acquired pursuant to a Scheme of arrangement for transfer of business undertaking (Scheme) under Section 391 to 394 of the Companies Act, 1956 between the Company and its parent entity erstwhile Tata Motors Finance Limited (TMFL). The title deeds are in the name of erstwhile TMFL which pursuant to the Scheme approved by National Company Law Tribunal have vested into the Company.

In respect of immovable properties taken on lease and disclosed as fixed assets in the financial statements, the lease agreements are in the name of the Company.

- ii. The Company is in the business of lending and consequently does not hold any physical inventories. Accordingly paragraph 3(ii) of the Order is not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly paragraph 3(iii) of the Order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees and securities granted.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Therefore, paragraph 3(v) of the order is not applicable to the Company.
- vi. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, in respect of the services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, goods and service tax, value added tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of customs and duty of excise. According to the information and explanations given to us, no undisputed amounts

payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, goods and service tax, value added tax, cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the following dues have not been deposited by the Company on account of disputes.

Name of the statute	Nature of dues	Amount involved (Rs.in Lakhs)	Period to which it relates	Forum where dispute is pending	Net of amount paid under protest* (Rs.in Lakhs)
<i>Andhra Pradesh Value Added Tax Act, 2005</i>	<i>VAT</i>	<i>1,005.28</i>	<i>FY 2007 -08 to FY 2012-13</i>	<i>High Court of Judicature at Hyderabad for the state of Telengana and the state of Andhra Pradesh</i>	<i>670.19</i>
<i>Andhra Pradesh Value Added Tax Act, 2005</i>	<i>Penalty on VAT</i>	<i>1,005.28</i>	<i>FY 2007 -08 to FY 2012-13</i>	<i>High Court of Judicature at Hyderabad for the state of Telengana and the state of Andhra Pradesh</i>	<i>1,005.28</i>
<i>Andhra Pradesh Value Added Tax Act, 2005</i>	<i>VAT</i>	<i>2,213.49</i>	<i>FY 2013 -14 to FY 2016-17</i>	<i>High Court of Judicature at Hyderabad for the state of Telengana and the state of Andhra Pradesh</i>	<i>2,213.49</i>
<i>West Bangal Value Added Tax, 2003</i>	<i>VAT</i>	<i>364.93</i>	<i>FY 2007 -08 and 2011 -12</i>	<i>Supreme Court of India</i>	<i>Nil</i>
<i>Madhya Pradesh Value Added Tax Act, 2006</i>	<i>Entry Tax</i>	<i>79.42</i>	<i>FY 2013 -14</i>	<i>Appellate Authority, Bhopal</i>	<i>47.65</i>
<i>Uttar Pradesh Value Added Tax Act, 2008</i>	<i>VAT</i>	<i>9.00</i>	<i>FY 2007 -08 and 2008-09</i>	<i>Commercial Tax Tribunal, Lucknow (Appeal)</i>	<i>Nil</i>
<i>Jharkhand Value Added Tax Act, 2006</i>	<i>VAT</i>	<i>21.12</i>	<i>FY 2012 -13</i>	<i>Commercial Tax, Additional officer (Appeals)</i>	<i>21.12</i>
<i>Finance Act, 1994</i>	<i>Service Tax</i>	<i>523.33</i>	<i>April 2006 to March 2015</i>	<i>Commissioners (A), Service Tax, Mumbai</i>	<i>497.53</i>
<i>Finance Act, 1994</i>	<i>Service Tax</i>	<i>774.77</i>	<i>January 2012 to March 2015</i>	<i>CESTAT Mumbai</i>	<i>Nil</i>
<i>Finance Act, 1994</i>	<i>Service Tax</i>	<i>5,486.45</i>	<i>FY 2008 -09 to FY 2014 -15</i>	<i>Commissioner CGST & C.EX Mumbai South</i>	<i>5,486.45</i>

*The Company has deposited amount under protest

- viii. According to the information and explanations given to us and based on our examination of the records of the Company, it has not defaulted in the repayment of loans or borrowings to banks, financial institutions and dues to debenture holders. The Company does not have any outstanding borrowings from Government.
- ix. According to the information and explanations given to us and based on our examination of records of the Company, the term loans taken by the Company have been applied for the purpose for which they were raised. During the year, there were no money raised by way of initial public offer or further public offer (including debt instruments).
- x. According to the information and explanations give to us and based on our examination of the records of the Company no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

- xi. According to the information and explanations give to us, the Company has not paid/provided managerial remuneration during the year. Accordingly Paragraph 3(xi) of the Order is not applicable.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- xiii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.
- xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has made preferential allotment of shares during the year under review and in our opinion and according to the information and explanations given to us, the requirements of Section 42 of the Act have been complied with and the amount raised have been used for the purposes for which the funds has been raised.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. According to the information and explanation given to us, the Company is registered, as required, under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration.

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

Manoj Kumar Vijai
Partner
Membership No: 046882

Place : Mumbai
Date : 2 May 2018

Annexure - B to the Independent Auditor's Report of even date on the financial statements of Tata Motors Finance Limited (Formerly known as Sheba Properties Limited)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Tata Motors Finance Limited (formerly known as Sheba Properties Limited) ("the Company") as of 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("the ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of internal financial controls over financial reporting

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

Inherent limitations of internal financial controls over financial reporting

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

or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai

Partner

Membership No: 046882

Place : Mumbai

Date : 2 May 2018

Balance Sheet as at March 31, 2018

		(Rs. in Lakhs)	
Particulars	Note	As at March 31, 2018	As at March 31, 2017
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	913,73.42	716,49.01
(b) Reserves and surplus	4	2814,85.25	2348,47.59
		3728,58.67	3064,96.60
(2) Non-current liabilities			
(a) Long-term borrowings	5	8475,71.95	8375,16.34
(b) Other long-term liabilities	6	123,87.42	38,80.97
(c) Long-term provisions	7	235,53.99	320,48.79
		8835,13.36	8734,46.10
(3) Current liabilities			
(a) Short-term borrowings	8	7806,38.64	3983,78.69
(b) Trade payables	9		
(i) Total outstanding dues of micro, small and medium enterprises		-	-
(ii) Total outstanding dues of creditors other than above		125,38.83	159,22.21
(c) Other current liabilities	10	3061,91.91	2868,45.48
(d) Short-term provisions	7	284,91.87	337,21.63
		11278,61.25	7348,68.01
Total		23842,33.28	19148,10.71
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Property, Plant and Equipment	11	43,37.90	23,33.88
(ii) Intangible assets	12	1258,86.97	1255,25.64
(iii) Capital work-in-progress		51.30	-
(b) Non-current investments	13	134,24.92	132,60.91
(c) Deferred tax assets (net)	15B	44,49.36	-
(d) Finance receivables	16	13526,55.79	9771,36.50
(e) Long-term loans and advances	17	98,15.08	20,46.24
(f) Other non-current assets	18	156,30.78	93,94.96
		15262,52.10	11296,98.13
(2) Current assets			
(a) Current investments	14	39,54.94	125,59.16
(b) Trade receivables	20	23,66.50	10,19.88
(c) Cash and cash equivalents	21	730,77.73	715,45.50
(d) Finance receivables	16	7687,90.23	6875,65.70
(e) Short-term loans and advances	19	24,53.84	75,95.60
(f) Other current assets	18	73,37.94	48,26.74
		8579,81.18	7851,12.58
Total		23842,33.28	19148,10.71

See accompanying summary of significant accounting policies and explanatory notes (1 to 57) forming part of the financial statements
As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants Firm

Registration Number: 101248W/W-100022

Manoj Kumar Vijai

Partner

Membership No. 046882

Place: Mumbai

Date: May 2, 2018

For and on behalf of the Board of Directors

NASSER MUNJEE

Chairman

(DIN - 00010180)

H. N. SINOR

Director

(DIN - 00074905)

P.B. BALAJI

Director

(DIN - 02762983)

SHYAM MANI

Director

(DIN - 00273598)

SAMRAT GUPTA

Chief Executive Officer

ANAND BANG

Chief Financial Officer

VINAY LAVANNIS

Company Secretary

Place: Mumbai

Date: May 2, 2018

Statement of Profit and Loss for the year ended March 31, 2018

(Rs. in Lakhs)

Particulars	Note	For the year ended March 31, 2018	For the year ended March 31, 2017
I. Revenue from operations	22	2322,48.16	375,98.14
II. Other income	23	70,98.29	36,21.48
III. Total Revenue (I + II)		2393,46.45	412,19.62
IV. Expenses:			
(1) Employee benefits expense	24	246,18.91	38,74.02
(2) Finance costs	25	1073,18.79	175,50.41
(3) Depreciation and amortisation expense	11,12	12,54.78	2,43.74
(4) Other expenses	26	704,00.59	139,06.94
Total expenses		2035,93.07	35,575.11
V. Profit before exceptional and extraordinary items and tax (III - IV)		357,53.38	56,44.51
VI. Exceptional items		-	-
VII. Profit before extraordinary items and tax (V - VI)		357,53.38	56,44.51
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII - VIII)		357,53.38	56,44.51
X. Tax expense	15	29,95.25	12,53.56
XI. Net profit for the year (IX - X)		327,58.13	43,90.95
XII. Earnings per equity share (of Rs. 100/- each)			
Basic (in Rs.)	28	57.92	28.42
Diluted (in Rs.)		56.51	28.42

See accompanying summary of significant accounting policies and explanatory notes (1 to 57) forming part of the financial statements

As per our report of even date attached

For B S R & Co. LLP
 Chartered Accountants
 Firm Registration Number: 101248W/W-100022

Manoj Kumar Vijai
 Partner
 Membership No. 046882

Place: Mumbai
 Date: May 2, 2018

For and on behalf of the Board of Directors

NASSER MUNJEE
 Chairman
 (DIN - 00010180)

H. N. SINOR
 Director
 (DIN - 00074905)

P.B. BALAJI
 Director
 (DIN - 02762983)

SHYAM MANI
 Director
 (DIN - 00273598)

SAMRAT GUPTA
 Chief Executive Officer

ANAND BANG
 Chief Financial Officer

VINAY LAVANNIS
 Company Secretary

Place: Mumbai
 Date: May 2, 2018

Cash Flow Statement for the year ended March 31, 2018

(Rs. in Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before tax	357,53.38	56,44.51
Adjustments for:		
Interest income	(2112,97.07)	(338,72.70)
Interest income on long-term trade investments, bank deposits, etc.	(34,59.95)	(6,76.73)
Dividend from long term investments	(4,05.80)	(4,85.48)
Discounting charges on commercial paper	304,91.79	37,37.35
Depreciation and amortisation expense	12,54.78	2,43.74
Net gains on sale/ redemption of Investments	(8,96.05)	(21,66.11)
Interest expense and other borrowing costs	768,27.00	138,13.08
Loss on sale of fixed assets (net)	1,30.70	0.16
Provision for diminution in the value of long-term Investment	(3,13.54)	2,92.04
Provision for employee benefit schemes	(71.71)	(10.69)
Provision for Indirect tax	6.67	6.65
Provision for doubtful finance receivables and finance receivables written off	303,23.81	48,95.10
Provisions on standard assets	20,45.00	2,58.80
Provision for doubtful loans and advances	12,37.76	11.89
Operating cash flows before working capital changes	(383,73.23)	(83,08.39)
Movements in working capital:		
Other assets	(57,90.28)	48,320.91
Short-term advances	39,04.00	(23,75.92)
Finance receivables	(5022,76.64)	(577,30.05)
Long-term advances	(1,91.14)	(2,25.64)
Trade receivables	(13,46.62)	21,06.91
Trade payables	(33,83.38)	50,79.13
Other current liabilities	161,56.57	16,54.71
Other long-term liabilities	85,06.45	(4,35.73)
Margin Money/ Cash Collateral with banks	(72,32.21)	-
	(4916,53.25)	(36,05.68)
Current taxes paid (net)	(44,20.43)	(440.50)
Discounting charges/premium on commercial papers and zero coupon bonds paid	(533,98.20)	(68,59.40)
Interest expense	(808,42.80)	(131,80.98)
Interest income	2100,43.82	334,13.83
Net cash (used in) / from operating activities	(4586,44.09)	10,18.88
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work-in-progress and capital advances)	(43,34.46)	(1,17.30)
Proceeds from sale of fixed assets	34.79	3.71
Realisation from short-term senior pass through certificates	(9,86.45)	6,02.82
Realisation from long-term investments	3,76.42	-
Purchase of long-term investments	-	(24.15)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Purchase of current investments	(8956,05.00)	(6488,33.71)
Proceeds from sale/redemption of current investments	9060,01.13	6444,93.63
Proceeds from sale/redemption of long-term investments	-	50,61.33
Consideration paid for acquisition of business	-	(2752,00.00)
Dividend from long-term investments	4,05.80	4,85.48
Interest income on long term trade investments, bank deposits, etc.	34,38.11	42,99.53
Net cash flows from investing activity	93,30.34	(2692,28.66)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Share / NCDs issue expenses	(89.60)	(5,12.64)
Issue of share capital (including securities premium thereon)	600,00.00	2857,00.03
Increase in cash credit (net)	174,84.96	1311,74.06
Proceeds from short-term borrowings less than 3 months	19175,31.17	
Repayment of short-term borrowings less than 3 months	(15842,03.45)	(681,45.20)
Proceeds from short-term borrowings 3 months and above	5191,67.88	195,46.94
Repayment of short-term borrowings 3 months and above	(4870,28.20)	(431,71.85)
Proceeds from long-term borrowings	3055,00.00	550,00.00
Repayment of long-term borrowings	(2930,37.14)	(996,20.00)
Dividend paid (including corporate dividend tax)	(86,50.80)	(9,38.80)
Net cash flows / (used in) financing activities	4466,74.82	2790,32.54
Net decrease / increase in cash and cash equivalents	(26,38.92)	10,822.74
Cash and cash equivalents as at the beginning of the year (refer note 21)	215,45.50	40.19
Cash and cash equivalents included on business acquisition	-	106,82.57
Cash and cash equivalents as at the end of the year (refer note 21)	189,06.58	215,45.50
Net decrease / increase in cash and cash equivalents	(26,38.92)	108,22.74

Notes:

1. Finance costs has been considered as arising from operating activities in view of the nature of the Company's business.
2. Previous year figures have been regrouped or reclassified, wherever necessary to conform to current period classification.

As per our report of even date attached

For and on behalf of the Board of Directors

For B S R & Co. LLP

Chartered Accountants
Firm Registration Number: 101248W/W-100022

NASSER MUNJEE

Chairman
(DIN - 00010180)

H. N. SINOR

Director
(DIN - 00074905)

Manoj Kumar Vijai

Partner
Membership No. 046882

P.B. BALAJI

Director
(DIN - 02762983)

SHYAM MANI

Director
(DIN - 00273598)

Place: Mumbai
Date: May 2, 2018

SAMRAT GUPTA
Chief Executive Officer

ANAND BANG
Chief Financial Officer

VINAY LAVANNIS
Company Secretary

Place: Mumbai
Date: May 2, 2018

Explanatory notes forming part of the Financial Statements for the year ended March 31, 2018**Note 1 – CORPORATE INFORMATION**

Tata Motors Finance Limited (the Company) is registered as a Non-Banking Financial (Non-Deposit Accepting or Holding) Company with the Reserve Bank of India with effect from March 4, 1998. The Company is a subsidiary of TMF Holdings Limited (Formerly known as Tata Motors Finance Limited). With effect from June 30, 2017, the name of the Company has changed to Tata Motors Finance Limited from Sheba Properties Limited.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES**A. Basis for preparation of financial statements**

The financial statements have been prepared and presented in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP), to comply with the Accounting Standards specified under section 133 of Companies Act, 2013 and relevant prudential norms issued by the Reserve Bank of India (RBI) for Non-Banking Financial Companies (NBFC) in respect of income recognition, asset classification, provisioning and other related matters. In the opinion of management, all adjustments which are necessary for a fair presentation have been included. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of annual financial statements for the year ended March 31, 2017.

B. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses and the disclosures of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

C. Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

D. Revenue recognition**1. Income on finance receivables**

Interest income is recognised in the statement of profit and loss on an accrual basis, except in case of non-performing assets (NPA), where it is recognised upon realisation as per RBI norms.

Subvention received from dealers is recognised as income over the term of the contract in the ratio of interest earned. Subvention received from manufacturer is recognised as income on a straight line basis over the term of the contract. For the loan accounts closed / transferred through securitisation / direct assignment, balance unamortised amount is recognised as income at the time of such closure / transfer through securitisation / direct assignment.

Default interest is accounted on receipt basis on account of uncertainty of ultimate collection.

Loan processing fee is accounted for at the time of disbursement of loan.

2. Income from securitisation / direct assignments transactions

In case of securitisation, the amount of profit received in cash is recognised as a liability on an individual transaction basis and is amortised in the statement of profit and loss over the tenure of securities issued by Special Purpose Vehicle (SPV) in accordance with guidelines issued by the RBI. Further, in case of securitisation transactions where the Company retains the contractual right to receive some of the interest amount due on the transferred assets, the present value of such interest receivable from the SPV is capitalised as Interest Only Strip (I/O Strip). The corresponding gain is recognised in the statement of profit and loss when the I/O Strip is redeemed in cash.