

**TATA TECHNOLOGIES**



17<sup>th</sup> Annual Report 2010-11

**BETTER BUSINESS TRANSFORMATION**



## Mission

Better products benefit people – that is our business.

## Vision

We are determined to be the world's number one partner to the manufacturing industry.

## Purpose

We help ambitious manufacturers create better products.

## Values

- Better & Better
- Customer Delight
- One Team
- Honest & Straightforward
- Commitment to Community



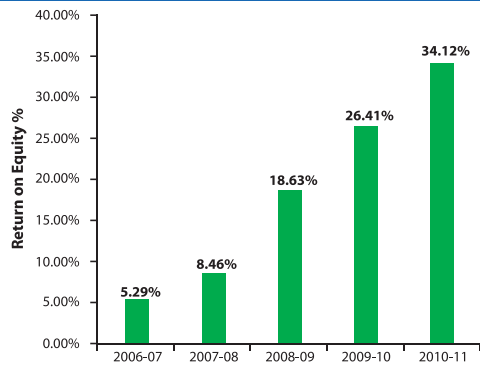
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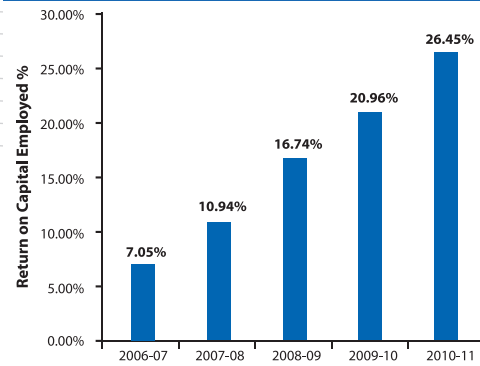
This report and financial statements contained herein have been prepared in compliance with the requirements of the Indian Companies Act, 1956 and Indian Generally Accepted Accounting Principles (GAAP). The preparation of financial statements requires management to make estimates and assumptions which affect the reported amounts of income and expenses of the period, assets and liabilities, as of the date of the financial statements. The estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner, the form and substance of transactions.

# Historical Performance

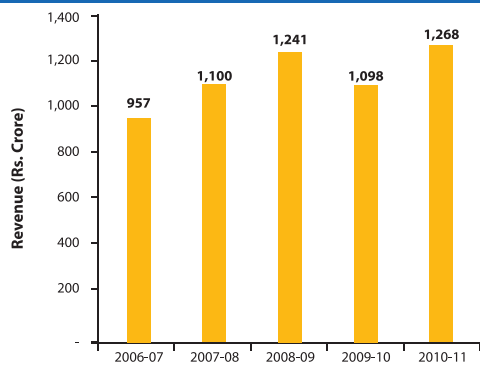
**Return on Equity**



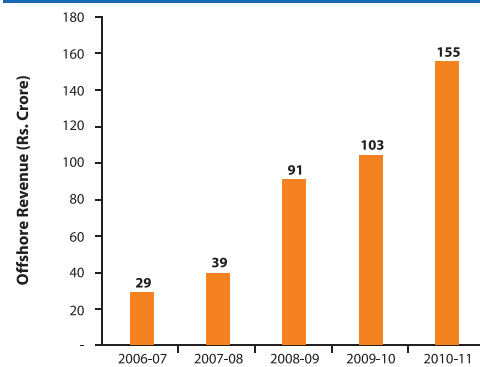
**Return on Capital Employed**



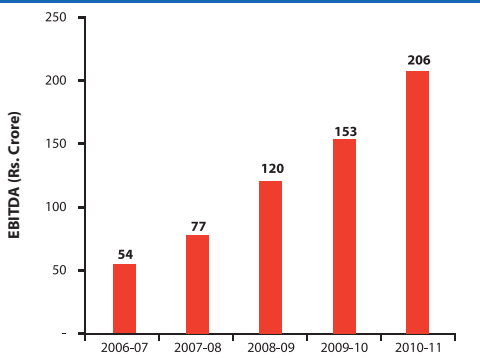
**Revenue**



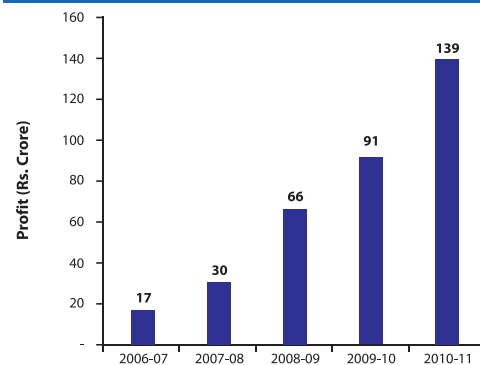
**Offshore Revenue**



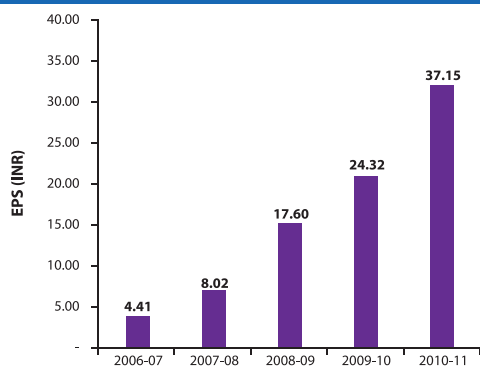
**EBITDA**



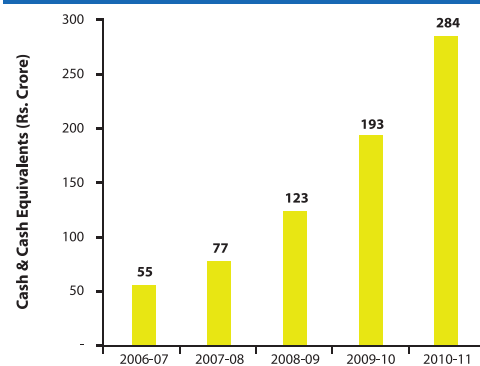
**Profit After Tax**



**Earning per Share (Fully Diluted)**



**Cash & Cash Equivalents**





## MD's Letter to Shareholder

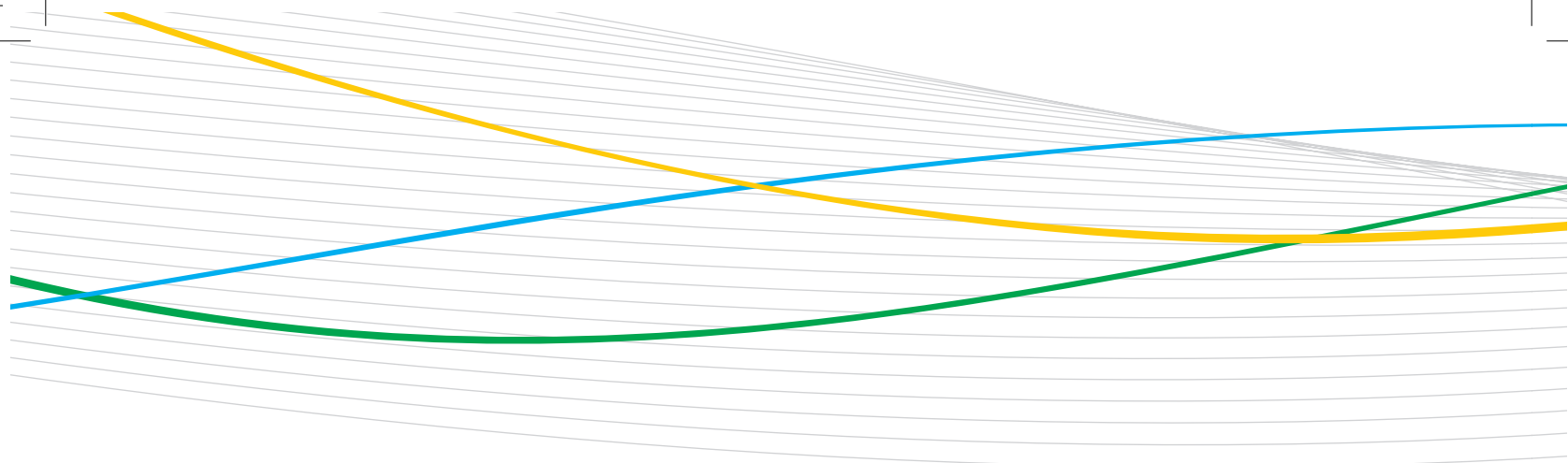


Your Company has proven it is much stronger, more operationally efficient and able to deliver solid growth. We have delivered record earnings per share and generated record cash while helping our customers develop and deliver transformational products.

### **Dear Fellow Investor,**

I am pleased to report to you that your Company, once again, posted record earnings per share, profit after tax and free cash flow. Our year-on-year growth in revenue, EBITDA and profit after tax on a standalone basis are 29%, 22% and 27% respectively and on a consolidated basis are 15%, 35% and 53%. How did we do this? How are we meeting the needs of our customers in the new market reality while contributing to the communities we serve? And what are our key challenges for 2011-12?

I wrote to you last year about how the economic crisis of 2009-10 necessitated that we dramatically improve operating efficiencies. Some improvements were one-time cost reductions while some became part of our DNA. As the global economy recovered in year 2010-11 and our consolidated revenues grew to Rs. 1268 crores from Rs. 1098 crores the year before, we were able to realize the full benefit from our improvements. Sales, marketing and administration expenses came down to 13% of revenue, near industry best. We also increased offshore revenue by 50%. As a result, consolidated profit after tax improved to a record Rs. 139 crores at a margin of 11%, up from 8% last year.



We generated record cash flows from operations of Rs. 132 crores during the year bringing our cash and cash equivalents balances to Rs. 284 crores. After the close of the year we took US\$30 million in new equity from two private equity funds to fuel future growth and to prepare us for the discipline of public listing should we decide to do so in the future.

I am also pleased to note that based on the results, the board approved a record dividend of Rs. 12 per share (Rs. 7 interim + Rs. 5 final) up from Rs. 7 per share last year.

#### Better Innovation Deepens Customer Relationships

In past years I wrote to you about how your Company was helping manufacturers with the challenges from the changing global economy, climate change (necessitating fuel efficiency and alternate energy), and regulations for increased safety. Our concept of frugal engineering and lean design under our theme of Better Innovation, [www.betterinnovation.com](http://www.betterinnovation.com), brought your company increased business in the year. Our successful engagements to do full vehicle development resulted in the launch of a dedicated Vehicle Programs & Development (VPD) Group. Internally we improved support for innovation, launching a dedicated Intellectual Property cell resulting in the filing of the Company's first seven patents in Engineering & Design and Product Lifecycle Management. You may enjoy reading more about these achievements in the Management Discussion and Analysis section of this Annual Report.

#### Corporate Sustainability

We are committed to improve the quality of life in the communities we operate. I believe that there is no better way than to provide employment. Unfortunately, the reality is that many engineering graduates are not employable when they graduate. Many companies have found that they need to give extensive training to new graduates before the graduates can be productive. To improve the situation, we launched programs in two leading Universities to make engineering graduates ready for employment. We call the program Ready Engineer™. It is entirely voluntary, staffed by subject matter experts from Tata Technologies. Students in the Ready Engineer™ program receive training on-line via iGETIT®, [www.myigetit.com](http://www.myigetit.com), and in the classroom from Tata Technologies' volunteers. While we encourage those in the program to join our Company after graduation, there is no obligation. The first batch graduated in June 2011. The second batch will graduate in June 2012. We are now looking to expand Ready Engineer™ to universities outside India.

**TATA TECHNOLOGIES**

#### Challenges for 2011-12

As we grow, we will expand beyond our campus in Hinjawadi to a nearby Special Economic Zone (SEZ) called Blue Ridge. The facility, designed for 790 engineers and IT professionals, will serve OEMs outside India. Our workforce should expand beyond 5,000 professionals. To improve and better cater to our expanding human resources, we are building robust scalable processes into our SAP IT system. Employees and managers across the globe will interact with the system through a self-service portal. These changes to accommodate our expansion will be challenging. We faced challenges before. We will succeed.

#### In Summary

Your Company has proven it is much stronger, more operationally efficient and able to deliver solid growth. We have delivered record earnings per share and generated record cash. Our program called Better Innovation is helping our customers create exciting products. We continue to move up the value chain, utilize more of your Company's own intellectual property in our solutions and develop skills faster.

Seven years ago our consolidated revenue was US\$30 million with a profit of US\$1.7 million. Today our profit after tax is US\$30.5 million. Our top line has become our bottom line. I hope you will join me in thanking the 4600 dedicated men and women who make up the Tata Technologies family. They are the ones responsible for our achievements and I am sure you join me in appreciating their efforts.

I thank you for your continuing trust and support and I look forward to seeing you at the AGM, interacting with you and hearing your valuable suggestions you may have to help your Company become better and better.

**Patrick McGoldrick**

Chief Executive Officer and Managing Director

20<sup>th</sup> June 2011



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## Letter from Global COO

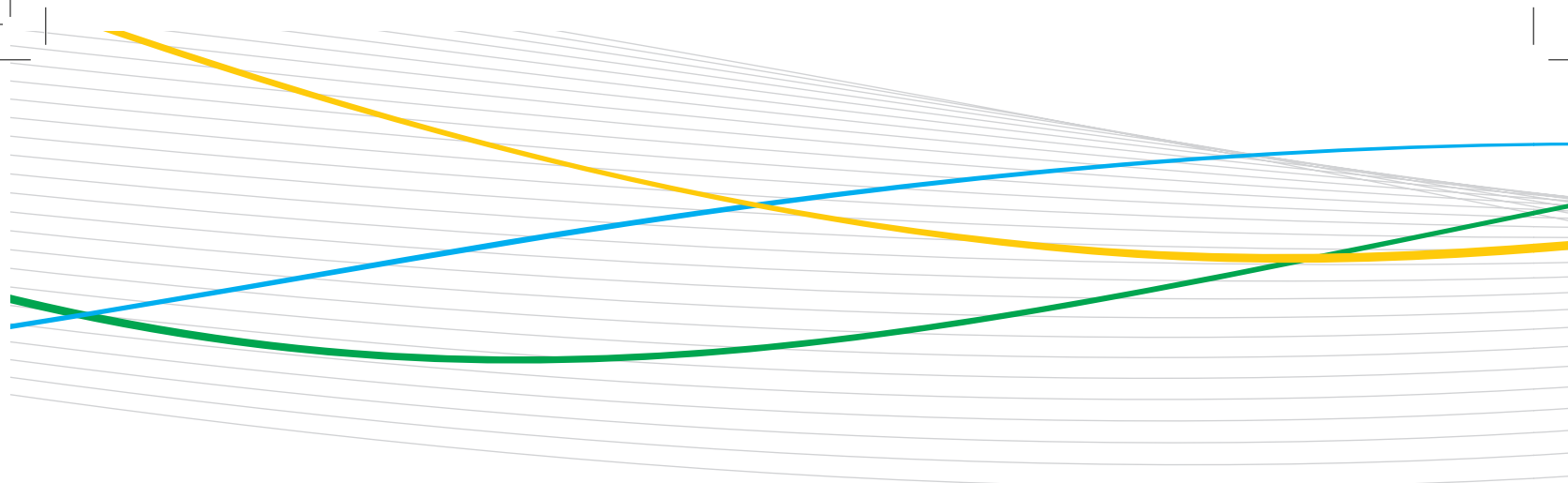


Tata Technologies is at the forefront of a market that is rebounding and, at the same time, rapidly changing; resulting in demand for efficient, innovative product development at a rate far beyond any the industry has witnessed in the past.

Four years ago, we began transforming significant aspects of our business to create a lean, faster growing and more innovative Tata Technologies. Over that time, we built an integrated global company with fully-aligned sales and delivery functions. We built a comprehensive global delivery capability that offers clients superior skills and resources wherever they operate, with access to capacity in geographies with scale and competitive price points. We also balanced our portfolio of services around three lines of business: Product and Manufacturing Engineering, Product Lifecycle Management (PLM) and Manufacturing Enterprise IT Services.

Today, Tata Technologies is delivering outstanding financial and operational performance with steady improvements to operating margins and free cash flow. We increased profitability by fine-tuning operations, skillfully managing expenses, and improving our cost structure. We resolved long-term risks to cash and set a company record in new business bookings; which positions the company to deliver significant revenue growth in Fiscal Year 2012.

Despite a challenging business environment, our expectations for the past 12 months were very aggressive. I am, therefore, delighted to confirm that your company delivered results that met or exceeded our operating plans in the following areas:



- Eleven new client logos added to our business this year – several in new sectors
- Revenue Growth of 15% in Indian Rupee terms and 21% in US Dollar terms
- Improvement in operating margins by 235 basis points to a record 16.3%. Over the past five years, our operating margins have improved by 10.63%
- Profit After Tax that has increased more than eight-fold in that same five year period
- A strengthened balance sheet reflecting a cash balance of \$64 mn USD, up from \$43 mn USD the previous year

During the past year, Tata Technologies built on its strengths to capture opportunities within important, growing, market segments and recorded these milestone achievements:

- Clients - Throughout the year we demonstrated the depth of our commitment to our clients' success. At Chrysler we saw our revenue grow by more than 70% - a testament to our ongoing ability to produce results aligned with Chrysler's unique objectives. It is also a reward for the loyalty and support that we demonstrated to Chrysler during the North American automotive industry crisis of 2008-2010
- Communities – Our commitment to the Tata group ideals of sustainability, environmental stewardship and community involvement resulted in programs such as our on-site water and waste recycling facility at our Center for Advanced Engineering and Design in Hinjawadi, our Ready Engineer™ program promoting technical education for engineering students in India, and our alliance with First Book in North America to promote literacy at the elementary school level.
- Employees - This past fiscal year, we launched our Talent Pool program to further enhance the leadership bandwidth inside of our company and 25 future leaders graduated from this program. Most have been assigned new positions of responsibility, intended to prepare them for executive leadership assignments in the years to come.

#### Leading the Industry Back to Growth and Productivity

The Global manufacturing industry has been through a significant period of change in the past four years. The most recent economic downturn has led many manufacturers to re-think their business strategies and to look for ways to streamline

supply chains, seek new sources of innovation and reduce costs.

Your Company's own aggressive strategies are aligned with these goals and keep Tata Technologies at the industry forefront. Here are some key examples:

- Your company continued to strengthen its activities in the full vehicle development space, with the launch of our Vehicle Programs & Development (VPD) Group. VPD already has won six full-vehicle programs – half of which are Electric Vehicles – and is providing innovative, cost-effective and environmentally sound automotive solutions to global automotive OEMs ranging from premium brands to entrepreneurial organizations aiming at niche markets. This is a first for India based engineering services providers.
- Aerospace growth is evidenced by the completion of a Joint Concept Definition Phase (JC DP) for a new, yet-to-be-introduced jet from a European aerospace manufacturer –the first-ever project of this scope and scale in the Indian private sector.
- Your Company entered into the construction/heavy machinery industry vertical and the move was quickly validated with a product tear-down and bench marking project from a North American equipment manufacturer that was executed at the Center for Advanced Engineering and Design in Hinjawadi; using the frugal engineering capabilities and the low-cost sourcing experience available in India.

Global manufacturers increasingly demand quality of people, resources and infrastructure combined within a framework of technology to drive growth, success and ultimately sustainability. That combination is the core of Tata Technologies value proposition and runs deep within your Company's DNA.

#### Product Development IT as a Manufacturing Driver

In addition to offering the manufacturing industry innovative engineering solutions, Tata Technologies drives innovation and productivity through our mastery of product development IT. As one of the world's leading engineering organizations, Tata Technologies professionals are the world's most experienced users of leading edge technology; and that experience positions your Company as a leading provider of those same services. These highlights demonstrate not just capabilities, but also potential:

- The expansion of our Enterprise IT capabilities outside of





India, evidenced by the largest-ever SAP project of its kind, awarded to Tata Technologies by Jaguar Land Rover in the UK.

- Leveraging deep domain knowledge of Product Lifecycle Management (PLM) systems, together with product design skills; your Company has been awarded critical data migration projects and process optimization projects by global automotive OEMs that enhance their ability to do business globally and widen the Tata Technologies relationships.

#### An Evolving Focus; Re-Investing for Success

In support of your Company's dedicated employees, investments are underway in its worldwide infrastructure; to enhance the quality of work life and support enhanced innovation and productivity.

Our new North American headquarters facility in metropolitan Detroit is a LEED Silver Certified building that is not only a great place to work but provides a visible endorsement of our commitment towards environmental responsibility and sustainability. In India, we have begun work on an expansion of our presence in Hinjawadi with the development of our Blue Ridge facility that will support nearly 800 additional engineering professionals. In addition, we have just opened a 70 seat Delivery Center in Bengaluru that not only extends our supply capabilities but further extends our geographic coverage in India.

Furthermore, it is anticipated that the investment in technology within Company facilities worldwide will exceed those of the previous year by more than double.

#### Summary

Tata Technologies is at the forefront of a market that is rebounding and, at the same time, rapidly changing; resulting in demand for efficient, innovative product development at a rate far beyond any the industry has witnessed in the past.

By maximizing the value we provide to our clients through the delivery of our unique offshore value proposition, in concert with our mastery of product development and manufacturing enterprise IT, we are positioned as the premier solution provider – in every domain – to the worldwide manufacturing industry.

I remain convinced that reaching our objectives year after year is the best guarantee we can provide to our shareholders,

our customers, our employees, and our local communities; to establish a long-term relationship built upon trust, and creating real value for all.

My thanks are extended to all our shareholders who have demonstrated their ongoing support for our organization and to the diverse Tata Technologies team of professionals worldwide, whose dedication and faithful support of our value proposition have made what we achieved possible; and who provide the underpinnings of my optimism for the year ahead.



**Warren Harris**

President and Global COO

20<sup>th</sup> June 2011



## Management Team



**Patrick McGoldrick**  
CEO & Managing Director



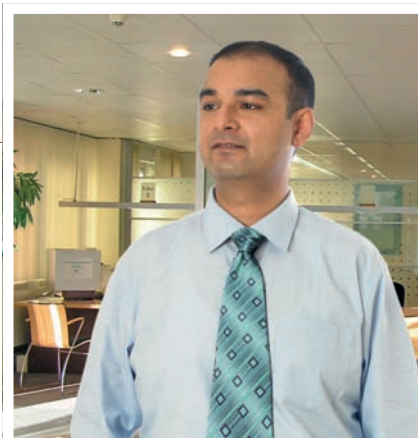
**Warren Harris**  
President & Global COO



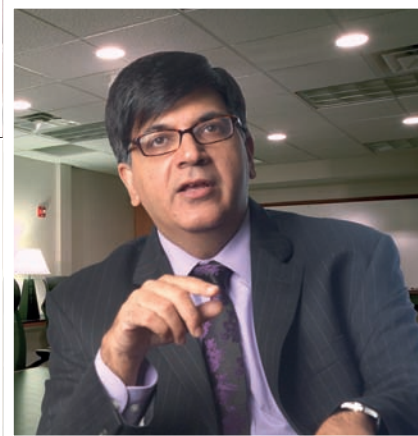
**John Howaniec**  
President, PLM Solutions



**Gopinath Jayaraj**  
President, Global Delivery & Quality



**Samrat Gupta**  
Chief Financial Officer



**Samir Yajnik**  
President, Global Services & COO APAC