



REPORT ADOPTED BY THE BOARD OF DIRECTORS OF TATA CAPITAL LIMITED AT ITS MEETING HELD ON JUNE 4, 2024, EXPLAINING THE EFFECT OF THE SCHEME OF ARRANGEMENT FOR AMALGAMATION OF TATA MOTORS FINANCE LIMITED WITH TATA CAPITAL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS, ON EACH CLASS OF SHAREHOLDERS (PROMOTERS AND NON-PROMOTER SHAREHOLDERS), KEY MANAGERIAL PERSONNEL, DEBENTURE HOLDERS, CREDITORS, EMPLOYEES AND DIRECTORS

A. Background:

1. The Board of Tata Capital Limited (“TCL” or “**Amalgamated Company**” or “**Company**”) at its meeting held on June 4, 2024, approved the Scheme of Arrangement for amalgamation of Tata Motors Finance Limited (“**TMFL**” or “**Amalgamating Company**”) with the Company and their respective shareholders (“**Scheme**”), to be implemented under Sections 230 to 232 read with Section 52 and Section 66 of the Companies Act, 2013 and the rules made thereunder (“**Act**”) and other applicable provisions, if any, of the Act.
2. Pursuant to the Chapter XII of SEBI Master Circular SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/48 dated May 21, 2024, as amended from time to time (“SEBI Circular”) and as per Section 232(2)(c) of the Act, a report from the Board of the Company explaining the effect of the Scheme on each class of shareholders (promoters and non - promoter shareholders), key managerial personnel (“**KMPs**”), debenture holders, creditors, employees and directors of the Company, setting out, among other things, the share exchange ratio, specifying any special valuation difficulties, is required to be adopted by the Board. Such report is then required to be appended with the notice of the meeting of shareholders and/or creditors if ordered by the jurisdictional National Company Law Tribunal.
 - i. Further, pursuant to the requirements of the SEBI Circular, the Board is required to also comment on impact of the Scheme on the holder of Non-Convertible Debentures / Non Convertible Preference Shares, safeguards for the protection of the holders of NCDs / NCRPS and exit offer to the dissenting shareholders of NCDs / NCRPS, if any.

Accordingly, this report of the Board is prepared to comply with the aforesaid requirements.

TATA CAPITAL LIMITED

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3. While deliberating on the Scheme, the Board, inter-alia, considered and took on record the following documents:
 - (a) A draft of the proposed Scheme;
 - (b) A draft of the Implementation Agreement;
 - (c) Valuation report dated June 4, 2024 issued by Ernst & Young Merchant Banking Services LLP, Independent Registered Valuer, recommending:
 - i. the share exchange ratio for issue of equity shares to the equity shareholders of TMFL as on Record Date, by TCL pursuant to the Scheme.
 - ii. valuation with respect to the NCDs.
 - (d) Fairness Opinion dated June 4, 2024 issued by ICICI Securities Limited, Independent Merchant Banker, registered with SEBI, on:
 - i. the share exchange ratio recommended by the Registered Valuers.
 - ii. the valuation of NCDs recommended by the Registered Valuers.
 - (e) Draft Auditor's certificate issued by M/s. KKC & Associates LLP, Chartered Accountants and MSKA & Associates, Chartered Accountants, Joint Statutory Auditors of the Company ("Accounting Treatment Certificate"), to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Act and with the prescribed norms for accounting treatment of items in the financial statements where the regulatory authorities of the respective sector have prescribed any;
 - (f) Audit Committee's approval dated June 4, 2024, recommending the Scheme;
 - (g) Other presentations, reports, documents and information pertaining to the draft Scheme made available or circulated to the Board.
4. The Scheme, amongst others, contemplates the following arrangements:
 - (a) Amalgamation of TMFL with and into TCL in the manner set out in Part III of the Scheme.
 - (b) Matters relating to statutory reserves and reduction of securities premium account of the Amalgamated Company as set out in Part IV of the Scheme,

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5. Rationale of the Scheme:

The Amalgamating Company is a non-banking financial company - Investment and Credit Company (“NBFC-ICC”) and is *inter-alia* carrying on the business of (a) granting loans and facilities for, *inter-alia*, financing the purchase of (i) new vehicles manufactured by Tata Motors Limited (“TML”) and its group companies and (ii) pre-owned vehicles including refinancing existing vehicle finance loans; and (b) granting of loans and advances to transporters, dealers and vendors of TML including the provision of working capital facilities, invoice discounting facilities and factoring facilities. The Amalgamated Company is operating as an NBFC-ICC and is *inter-alia* carrying on the business of lending, leasing, factoring, hire purchase and financing.

It is proposed to consolidate the businesses of the Amalgamating Company and the Amalgamated Company, for simplifying, scaling and synergizing the businesses.

Thus, the proposed amalgamation of the Amalgamating Company with the Amalgamated Company pursuant to this Scheme would, *inter-alia*, have the following benefits:

- (a) Consolidation of businesses would help in achieving the greater scale i.e., leading to the creation of a larger unified financial services entity with a wider geographical reach, stronger capital and asset base;
- (b) Generate significant business synergies thereby enhancing stakeholders’ value;
- (c) Drive diversification and provide integrated solutions to the enhanced customer base;
- (d) Providing differentiated growth opportunities to the employees; and
- (e) The Parties have a proven track record in the respective businesses of credit and consolidating those will lead to pooling of knowledge and expertise.

The Amalgamation would therefore be in the best interest of all shareholders, creditors and employees of the respective Parties to the Scheme.

B. Effect of the Scheme on equity shareholders (promoter and non-promoter shareholders), Key Managerial Personnel, debenture holders, creditors, employees and Directors of the Company:

1. Effect on each class of shareholders (promoter and non-promoter shareholders):

Upon the Scheme becoming effective, all the Assets, Liabilities and Undertaking of TMFL will stand transferred and vested in TCL.

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Upon the Scheme becoming effective and upon amalgamation of TMFL with TCL in terms of this Scheme, TCL shall issue and allot its equity shares to the Equity Shareholders of TMFL whose names appear in the register of members of TMFL, as on record date in the following proportion viz.:

“37 (Thirty Seven) equity shares of face value of Rs. 10/- each of Amalgamated Company shall be issued and allotted as fully paid up for every 100 (One Hundred) equity shares of the face value of Rs. 100/- each fully paid up held in the Amalgamating Company.”

The said share exchange ratio is arrived at after taking into consideration the valuation report issued by Ernst & Young Merchant Banking Services LLP, Registered Valuer, and Fairness Opinion issued by ICICI Securities Limited, Independent Merchant Bankers, which have been duly considered by the Audit Committee and the Board of Directors of the Company and the Board has come to the conclusion that the said share exchange ratio is fair and reasonable.

The equity shares so issued and allotted as provided above shall be subject to the provisions of the Memorandum and Articles of Association of the Amalgamated Company and shall rank pari passu in all respects with the then existing equity shares of the Amalgamated Company after the Effective Date.

2. Effect on the KMPs and Directors of the Company:

The Scheme would not have any effect on the KMPs and Directors of the Company.

The KMPs and Directors of the Company and their respective relatives may be deemed to be concerned and / or interested in the Scheme only to the extent of their shareholding in the Company (if any), or to the extent the said KMPs / Directors are the partners, directors, members of the companies, firms, association of persons, body corporates and / or beneficiary of the trust that holds shares in the Company, as applicable.

3. Effect and impact on the holders of debentures and safeguards for the protection of the debenture holders:

There will not be any impact on the debenture holders of the Company pursuant to the Scheme. The current debenture holders will continue to be served by TCL.

Thus, the Scheme envisages that the holders of NCDs of TMFL will become the holders of NCDs of TCL on exactly the same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, ISIN, respectively. Therefore, the Scheme will not have any

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adverse impact on the holders of the NCDs and thus adequately safeguards interests of the holders of the NCDs.

4. Exit offer to the dissenting holders of the debentures of the Company:

The NCDs of the Company will continue to be freely tradable and listed on the Stock Exchange, thereby providing liquidity to holders of NCDs.

5. Effect on the creditors:

Under the Scheme, there is no arrangement with the creditors (secured or unsecured) of the Company. No compromise is offered under the Scheme to any of the creditors of the Company. The liability of the creditors of the Company, under the Scheme, is neither being reduced nor being extinguished.

6. Effect on staff or employees:

Under the Scheme, no rights of the staff and employees of the Company are being affected. The services of the staff and employees of the Company shall continue on the same terms and conditions prior to the proposed Scheme.

C. Conclusion

While deliberating the Scheme, the Board has considered its impact on each of the shareholders, (promoters and non-promoter shareholders), key managerial personnel, directors, debenture holders, creditors and employees. The Scheme is in the best interest of the shareholders (promoters and non-promoter shareholders), key managerial personnel, directors, debenture holders, creditors and employees of the Company and there shall be no prejudice caused to them in any manner by the Scheme.

By order of the Board
For **TATA CAPITAL LIMITED**

Rajiv Sabharwal
Managing Director & CEO
DIN: 00057333

Date: June 12, 2024

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