



# VORA & ASSOCIATES

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To  
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Bombay House  
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### Sub: Valuation of Defence Division of Tata Motors Limited

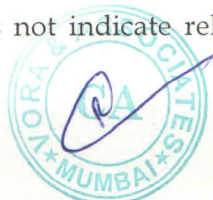
This is with reference to our engagement letter dated January 30, 2018 for carrying out the valuation of the defence business of TML (TMLD) as at December 31, 2017 and our valuation report dated February 13, 2018 attached as Annexure 1 to this letter.

In this regard, we note that with respect to the schemes filed with SEBI/Stock Exchanges, the valuation report is required to display the workings, relative fair value per share and fair share exchange ratio using the following valuation approaches - (a) Asset Approach (b) Income Approach (c) Market Approach, to arrive at final relative fair value per share and the exchange ratio. With reference to the Scheme under discussion, please find below the details in the required format along with our explanation for the same.

#### Computation of Fair Share Exchange Ratio:

Valuation Approach	Tata Motors Limited (Transferor Company)		Tata Advanced Systems Limited (Transferee Company)	
	Value per Share	Weight	Value per Share	Weight
Asset Approach ^	NA	NA	NA	NA
Income Approach ^^	NA	NA	NA	NA
Market Approach ^^^	NA	NA	NA	NA
Relative Value per Share	NA	NA	NA	NA
Exchange Ratio (rounded off)	NA	NA	NA	NA

^ The enterprise value of TMLD has been arrived at based on Net Asset Value method which works out as **INR 2,092.7 million as on December 31, 2017**, as captured in the Valuation Report dated February 13, 2018. However, since the present Scheme involves transfer of TMLD on a slump sale basis and it does not envisage any allotment of shares or share swap, the Valuation Report does not indicate relative fair value per share and the exchange ratio



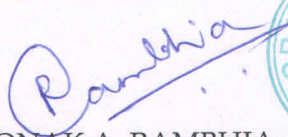
^^ Under the DCF method, the projected free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flows is the value of the firm. Management has provided us with high-level projected revenues and operating margins for the existing value added segment, and estimated revenues for the specialized defence projects which are at an early stage. However, there is no clear visibility on orders, and related capital expenditure would depend on the size and timing of the orders. Further, at this stage the Company does not have estimates regarding operating margins of the specialized defence projects which are at early stage of development. Management has represented that given the limited visibility with respect to future projects, detailed financial projections are not available. Accordingly, the DCF method was not considered for the purpose of the Valuation.

^^^ the listed peers in the defence space are not comparable due to their very large size and diversified operations. Further, the defence business is small with limited visibility in terms of revenue and costs of the specialised defence projects Hence, Market approach was not considered for the purpose of valuation

In the present case, it is reiterated that due to the reasons mentioned in the valuation report and again captured in this letter above, we have considered Net Asset Value method, in-line with the conventional methodology adopted for transactions of similar nature. Also, the present Scheme does not envisage any allotment of shares. Hence, the Valuation Report does not indicate relative fair value per share and the exchange ratio.

In view of the above, the valuation as per the above details is inapplicable and, therefore, could not be used.

For VORA & ASSOCIATES  
CHARTERED ACCOUNTANTS  
(ICAI FRNo.: 111612W)

  
RONAK A. RAMBHIA  
PARTNER  
(Membership No. 140371)



Place: MUMBAI

Date: 10 OCT 2018