



February 19, 2018

The Board of Directors

Tata Motors Ltd.

Bombay House
24, Homi Mody Street
Mumbai 400 001

Dear Sirs,

Sub: Providing Fairness Opinion to Tata Motors Ltd ('TML') for the Proposed Sale of Value Added Segment ('VAS') of Existing Business and Specialized Defence Projects ('SDP') division of TML's Defence Business ('TMLD') on a slump sale basis to Tata Advanced Systems Ltd. ('TASL') pursuant to a proposed Scheme of Arrangement under Sections 230 – 232 of Companies Act 2013 ('Proposed Transaction')

For the aforesaid purpose, TML has requested us to issue a Fairness Opinion ('Opinion') from a financial point of view of the Transaction Consideration of **Value Added Segment of Existing Business and Specialized Defence Projects division of TML's Defence Business (collectively referred to as 'Transferred Businesses')** in relation to the Proposed Transaction vide its engagement letter dated December 22, 2017 and subject to the terms and conditions mentioned therein.

Proposed Transaction background:

TMLD is primarily engaged in the manufacture of infantry combat vehicles and light armored multi-role vehicles. The Existing Business of TMLD mainly comprises of passenger and commercial vehicles supplied to the Indian armed forces, and exports. The cabin chassis of such vehicles is produced by TML using the existing production facilities at its plants, while value added components and modifications ('Value Added Segment' or VAS) comprising of 10%-20% of order value are outsourced to external vendors. TMLD is also bidding for various specialized defence projects ('SDP'), which are expected to materialize in future. Design, development and production for such defence projects is expected to be specialized, with only limited dependence on TML's existing facilities.

The management of TML ('Management') is evaluating a proposal for sale of its VAS of Existing Business and SDP division which primarily comprises of IPR for identified set of projects on a slump sale basis to TASL pursuant to a proposed Scheme of Arrangement under Sections 230 – 232 of Companies Act 2013 for which TML will receive an upfront consideration of INR 100 Crores plus a deferred consideration of 3% of future revenue share from identified set of projects ('Transaction Consideration') for a period of 10 years from April 01, 2019 which can be extendable to 15 years. This deferred consideration is capped at INR 750 crores for identified set of five live projects and INR 1,000 crores for identified set other projects which are either lost or shelved.

Our scope is restricted to providing an Opinion on the Transaction Consideration.

Kotak Mahindra Capital Company Limited

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Going forward, TML will continue to manufacture and supply core mobility components including cabin chassis to TASL at transfer pricing compliant rates, on an exclusive basis and TASL would then undertake the value addition. No tangible assets are being transferred with respect to VAS. We understand that the value addition will be undertaken from the premises of TML for which TML will receive lease rentals from TASL at market rentals. Therefore, the proposed transfer will entail 1) Transfer of IP of VAS of Existing Business to TASL with simultaneous 'right to use' given to TML on exclusive, perpetual and worldwide basis; and 2) Transfer of SDP which primarily comprises of IP for identified set of projects.

In arriving at our Opinion, we have used the following information received from the Management:

1. The provisional summarised financial information of TMLD and VAS of Existing business of TMLD for the year ended March 31, 2017 and for the six months period ended September 30, 2017 as provided by the Management since division-wise financial statements are not prepared;
2. The provisional summarised financial information on the VAS and SDP relating to net asset values of various projects as on December 31, 2017
3. Management projections for VAS from the year ended March 31, 2018 to the year ended March 31, 2022, which only comprises of revenues and operating costs;
4. Management estimates of expected revenues from SDP division from the year ended March 31, 2020 to the year ended March 31, 2034. Management has represented that given there is no clear visibility with respect to future projects, detailed financial projections for SDP division are not available ;

We have also reviewed the Related Party Transactions Presentation issued by Ernst & Young ("EY") dated February 02, 2018 and valuation report issued to TML by Vora & Associates ("Valuer") dated February 13, 2018

We have had discussions with members of the management of the TML in the past and current business operations of the concerned businesses, their future prospects and operations, and have received management representation letter from the TML dated February 16, 2018 ('Management Representation Letters').

Further, we have had discussions with the Valuer, on such matters which we believed were necessary or appropriate for the purpose of issuing this Opinion.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge TML and TASL to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment. We have further assumed that the Transaction would be carried out in compliance with applicable laws, rules and regulations.

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In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in verbal or written form, discussed with or reviewed by or for us, or publicly available. We have been given to understand that all information required by us that was relevant for the purpose of our exercise was disclosed to us. We have not conducted any evaluation or appraisal of any assets or liabilities of TMLD nor have we evaluated the solvency or fair value of TMLD, under any laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of TMLD.

Our Opinion does not factor overall economic environment risk, material adverse change and other risks and is purely based on the information and representations provided to us.

We express no view as to, and our Opinion does not address, the underlying business decision of TML to effect the Proposed Transaction or the merits of the Proposed Transaction or the legality or the governance of the transaction. Our Opinion does not constitute a recommendation to any shareholder or creditor of TML as to how such shareholder or creditor should vote on the Proposed Transaction or any matter related thereto.

Our Opinion is necessarily based on financial, economic, market and other conditions as in effect on the date of this issuing the Opinion, and the information made available to us as of, the date hereof, including the capital structure of TMLD.

We will receive a fee for our services in connection with the delivery of this Opinion from TML. In addition, TML has agreed to indemnify us from any claims arising from any material misstatements or omissions in any information supplied by TML or in relation to our engagement in providing the Opinion.

We and our affiliates in the past five years have provided, and currently provide, services to TML and TASL and its affiliates unrelated to the Proposed Transaction for which services we and such affiliates have received and expect to receive compensation, including, without limitation as creditors and as financial advisors for the purchase/sale of assets/businesses/securities by/to TML, TASL and their associates (as the case may be).

In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of our customers and, accordingly, may at any time hold long or short position in such securities. In addition, we and our affiliates maintain relationships with TML, TASL and their respective affiliates. Our affiliates also provide independent research on the listed companies mentioned in the report and their views and valuation may differ. Our affiliates may vote differently than the promoters of Tata Motors in respect of the Transaction.

This Opinion is provided solely for the benefit of the Audit Committee & Board of Directors of TML (Tata Motors Limited), and shall not confer rights or remedies upon, any shareholder of TML, or any other person other than the members of the Audit Committee & the Board of Directors of TML, or be used for any other purpose. This Opinion may not be used or relied upon by nor is it issued for the

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benefit of any third party for any purpose whatsoever or disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. We specifically disclaim any responsibility to any third party to whom this Letter may be shown or who may acquire a copy of this Letter.

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance, and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion the courts of competent jurisdiction in India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, it is our view that, as of the date hereof, the proposed Transaction Consideration is fair from a financial point of view.

Yours faithfully,

For **Kotak Mahindra Capital Company Limited**



Authorised Signatory

