

**Tata Motors Shareholders' Meeting  
Convened By The NCLT For Approving The  
Scheme Of Arrangement For Transfer Of Defence Undertaking  
By The Company To TASL**

July 30, 2019

## Tata Motors defense business is over 7 decades old with a large product portfolio.....

- Tata Motors has been associated with the country's Defence forces since 1948 and has supplied over 150,000 vehicles in the past 4 decades
- The current range of products for Defence and Security Forces predominantly consists of logistics and tactical vehicles and a growing range of combat vehicles

<p><b>Standard Civilian Vehicles</b></p>	 <p>Standard bus</p>	 <p>Ambulance</p>	 <p>Trucks</p>	 <p>Passenger Vehicle</p>	<p><b>Combat Vehicles</b></p>  <p>Wheeled Amphibious Platform Vehicle</p>
<p><b>Defence Logistics and Tactical Vehicles</b></p>	 <p>Fire truck</p>	 <p>Riot Control Van</p>	 <p>Prison Van</p>	 <p>Armoured Safari</p>	 <p>Mine Protected Vehicle</p>
	 <p>Refrigerated Truck</p>	 <p>Recovery Truck</p>	 <p>Combat Support vehicle</p>	 <p>Troop carrier</p>	 <p>BMP-II Powerpack Upgrade</p>

.....and contributes to less than 0.5% of TML's consolidated revenues and assets

### Proforma Profitability Statement <sup>1)</sup>

Rs Crores	2016-17	2017-18	2018-19
<b>Volumes</b>	6538	3868	7477
<b>Net Revenue</b>	1022	660 <sup>3)</sup>	958
<b>Total Expenses</b>	1073	462	957
<b>EBITDA</b>	(51)	198 <sup>3)</sup>	1
<b>EBITDA %</b>	(5)%	30% <sup>3)</sup>	0.1%

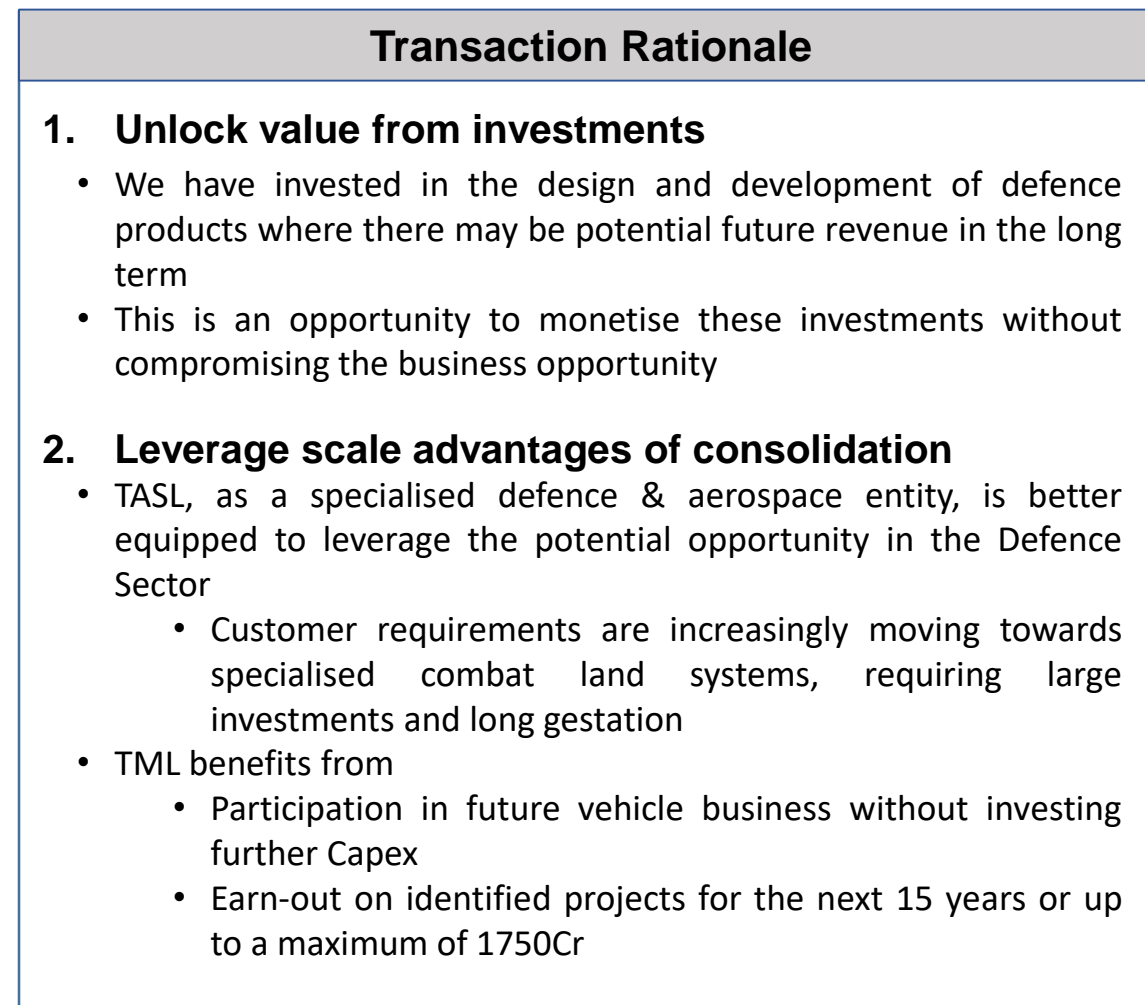
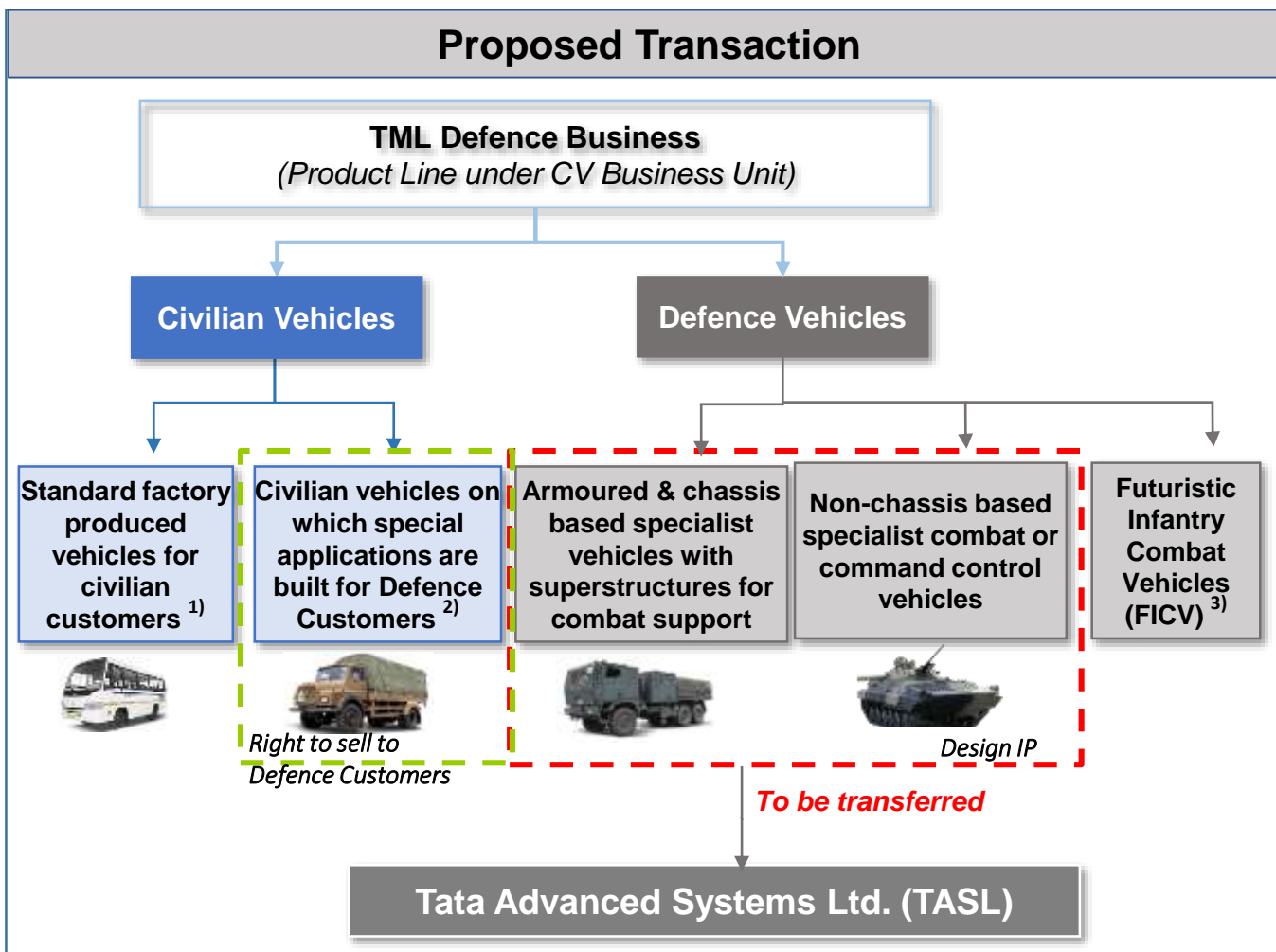
### Proforma Statement of Assets & Liabilities<sup>1)</sup>

Rs Crores	2016-17	2017-18	2018-19
<b>Fixed Assets (Tangible &amp; Intangible) [ A ]</b>	199	223	272
<b>Current Assets [ B ]</b>	288	590	403
Inventories <sup>4)</sup>	50	160	135
Trade Receivables	236	429	267
Other Current Assets	1.65	0.28	0.2
<b>Liabilities<sup>2)</sup> [ c ]</b>	28	62	3
<b>Total Assets</b>	<b>458</b>	<b>751</b>	<b>672</b>

**Note**

1. Enclosed statements are proforma financials of TML's defence business based on internal management accounts and prepared on best estimate basis
2. There are no external borrowings exclusively related to the Defence business ; Trade payables assumed to be NIL , to be estimated on Effective date
3. Includes prior year billing arrears of Rs 180 crs
4. Considers raw materials and vehicles in stock exclusively for defence business

## We intend to transfer the Defence Undertaking to unlock value through scale



1) TML retains the Exclusive right to sell these products to all customers, except in case of 'Combo –orders' from Defence Customers which will be serviced by TASL

2) The IP pertaining to the cab-chassis remains with TML while the right to sell the vehicle with value addition to Defence Customer will be transferred to TASL

3) Any contracts, agreements, purchase orders and other commitments executed pursuant to the Invitation for Expression of Interest for Project FICV issued on July 16, 2015 by the Directorate General Mechanized Forces, Integrated Headquarters, Ministry of Defence (Army) is excluded from this Transaction

## Transaction overview

### Structure and Consideration

**Slump Sale** of the Defence Undertaking (excluding FICV) to TASL through a Scheme of Arrangement

- **Defence Undertaking** refers to - The Business pertaining to manufacture and/or sale of products and/or services, that are designed, used, developed or modified for
  - All Departments and/or entities under Ministry of Defence or under Ministry of Home Affairs, including state governments
  - United Nation Peace Keeping Agencies
  - All equivalent departments, entities, military or government agencies, outside India engaged in internal/external security of those countries
- Assets transferred comprise mainly of IP (capitalised Design & Development expenditure) for Defence vehicles
- Movable assets used exclusively for Defence worth Rs 1.68 crs (as on Dec'17) at the Pune factory and ~ 80 employees to also be transferred to TASL
- TML to receive:
  - Upfront consideration of INR 100 Crores (adjusted for further D&D spends on Defence vehicles and working capital movements)
  - Earn Out of 3% of future revenues from identified set of projects for up to 15 years, subject to a cap of Rs 1750 crs <sup>1)</sup>

### Key Valuation Assumptions and Approach

- ❑ Valuation Date : Dec 31, 2017
- ❑ Valuation Methodology Used : Net Asset Value
  - Capital Employed as on 31/12/2017 : **Rs. 209**
  - The Value ascribed to this business is **Rs 210 crs**
    - Upfront consideration : Rs 100 crs
    - Deferred Consideration : Rs 110 crs (Present Value of 3% of estimated future revenue )

### Key Advisors

Valuation Report



Fairness Opinion



Legal Advisors



1) Cap of INR 750 cr for 5 identified projects and INR 1,000 cr for other identified projects

2) Refer to the Invitation for Expression of Interest for Project FICV issued on July 16, 2015 by the Directorate General Mechanized Forces, Integrated Headquarters, Ministry of Defence (Army)

## Other Key Terms

- With a view to leverage mutual capabilities and expertise, TML and TASL shall accord a **preferred vendor status** to each other and shall mutually agree on the terms and conditions of the exclusive arrangement; TML shall have a right to match (“ROFR Right”) the terms and conditions offered by any third party under a binding offer
- TML shall **supply the cab chassis, aggregates, components and engineering services** to TASL on arms length basis
- TML to provide TASL **access to use its facilities dedicated to the Defence business** at arms length basis at Pune and Jamshedpur plants
- TML shall have the **exclusive right to accept and service orders from Defense Customers for the standard civilian vehicles**, except if TASL receives an invitation or order for the supply of such vehicles together with other Defence vehicles
- **TML will continue** as the main bidder for **FICV contract<sup>1)</sup>**. Upon contract award, TML and TASL will co-operate for each to participate in the delivery of the Contract
- In any **future Defence business opportunity**, where due to eligibility requirements TASL is not in a position to qualify as an eligible bidder, and TML is in a position to qualify, the parties may mutually agree to **participate** in such opportunity **as a consortium**, including with 3rd parties, **or TML as a single party with TASL as a preferred vendor**

1) Refers to the Invitation for Expression of Interest for Project FICV issued on July 16, 2015 by the Directorate General Mechanized Forces, Integrated Headquarters, Ministry of Defence (Army)

## Why is this a good deal for TML

<p><b>1</b></p> <p><b>Revenue potential secured</b></p>	<ul style="list-style-type: none"> <li>• TML will be the exclusive preferred vendor to TASL for cab chassis production which will be supplied at an arm's length basis with Right of First Refusal (ROFR)</li> <li>• The specialized defense products are at development stage and would require substantial capex to realize their revenue potential . With this deal these would earn 3% revenue share without incurring further capex</li> </ul>
<p><b>2</b></p> <p><b>FICV<sup>1)</sup> retained</b></p>	<ul style="list-style-type: none"> <li>• TML is one of the bidders in the prestigious FICV Project, where EoI was invited in 2015 by the MoD. Revenue potential from this FICV project, is retained with TML</li> </ul>
<p><b>3</b></p> <p><b>Improved profitability</b></p>	<ul style="list-style-type: none"> <li>• The Defence business, being highly competitive, has been a relatively low margin business. As a preferred vendor to TASL, TML will supply the cab-chassis, aggregates, components and engineering services at an arms length basis</li> <li>• TML will also earn a 3% of the vehicle turnover for specialist combat or command control vehicles</li> </ul>
<p><b>4</b></p> <p><b>Transaction on arms length</b></p>	<ul style="list-style-type: none"> <li>• Audit Committee approval received for the Transaction on Arms Length Basis</li> <li>• Cab chassis production and engineering services will be outsourced to TML at arm's length basis</li> <li>• Facilities at Jamshedpur and Pune will be licensed to TASL at arms length rentals</li> </ul>

1) Refers to the Invitation for Expression of Interest for Project FICV issued on July 16, 2015 by the Directorate General Mechanized Forces, Integrated Headquarters, Ministry of Defence (Army)



Connecting  
Aspirations