



REPORT ADOPTED BY THE AUDIT COMMITTEE OF TATA MOTORS LIMITED ("COMPANY" or "TML") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST TML AND TML COMMERCIAL VEHICLES LIMITED AND TATA MOTORS PASSENGER VEHICLES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS UNDER SECTIONS 230-232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013, AT ITS MEETING HELD ON JULY 31, 2024 AND AUGUST 1, 2024

1. Background

- 1.1 A meeting of the Audit Committee of the Company was held on July 31, 2024 and August 1, 2024, *inter alia*, to consider and recommend to the Board of Directors, the draft Composite Scheme of Arrangement amongst the Company ("Tata Motors" or "Demerged Company" or "Amalgamated Company"), TML Commercial Vehicles Limited ("TMLCV" or "Resulting Company"), Tata Motors Passenger Vehicles Limited ("TMPV" or "Amalgamating Company") and their respective shareholders, under Sections 230-232 and other applicable provisions of the Companies Act, 2013 ("the Act") on the terms and conditions as stated therein ("Scheme").
- 1.2 In terms of the Circular bearing no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 'Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957' dated June 20, 2023, and Chapter XII of Circular bearing no. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 'Master Circular for listing obligations and disclosure requirements for non-convertible Securities, Securitized Debt Instruments and/or Commercial Paper' dated May 21, 2024, or any other circulars issued by the Securities and Exchange Board of India ("SEBI") prescribing the compliance requirements for schemes of arrangement involving listed companies in each case, as amended from time to time, (collectively, the "SEBI Scheme Circulars"), a report from the Audit Committee recommending the draft Scheme is required, taking into consideration, *inter alia*, (a) the Share Entitlement Report (as defined hereinafter), and (b) commenting on the rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders, creditors, key managerial personnel, employees and other stakeholders and cost benefit analysis of the Scheme.
- 1.3 This report of the Audit Committee is made in compliance with the requirements of the SEBI Scheme Circulars issued by the SEBI pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

2. Overview of the Scheme:

The Scheme is pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Act and provides for *inter alia* the following:

- (i) demerger, transfer and vesting of the Demerged Undertaking, comprising of the Commercial Vehicles Business, from the Demerged Company into the Resulting Company on a going concern basis, and issue of shares by the Resulting Company to the shareholders of the Demerged Company, in accordance with Share Entitlement Ratio in consideration thereof, in accordance with the provisions of Section 2(19AA) and other relevant provisions of the Income-tax Act, 1961;
- (ii) amalgamation of the Amalgamating Company with the Amalgamated Company with an objective of consolidating the Passenger Vehicles Business with the Amalgamated Company in accordance with the provisions of Section 2(1B) and other relevant provisions of Income-tax Act, 1961 and consequent dissolution of the Amalgamating Company without being wound up;

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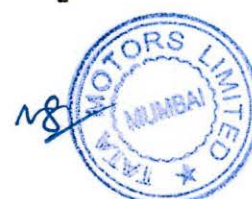


- (iii) various other matters consequential or otherwise integrally connected therewith in the manner set out in the Scheme.

Words and expressions, used in capitalized form but not defined in this Report, shall have the meaning ascribed to them in the Scheme.

3. Need for the scheme and rationale of the Scheme:

- a) Tata Motors has been directly and indirectly through its subsidiaries and joint ventures, engaged *inter alia* in the business of design, development, manufacture, and sale of a wide range of commercial, passenger and electric vehicles (including offering an extensive range of integrated, smart and e-mobility solutions), within India and abroad.
- b) Over the past few years, the Commercial Vehicles Business and the Passenger Vehicles Business have delivered a strong performance by successfully implementing distinct strategies. The Scheme is being proposed to, amongst others, separate the Commercial Vehicles Business from the Passenger Vehicles Business through:
 - (i) Demerger of Commercial Vehicles Business from the Demerged Company to the Resulting Company; and
 - (ii) Merger of the Amalgamating Company undertaking the Passenger Vehicle Business with the Amalgamated Company.
- c) The effectiveness of the Scheme would result in creation of two listed companies, forming part of the Tata Group, with identical shareholding (including common promoters) with the Resulting Company housing the Commercial Vehicles Business and the Amalgamated Company housing the Passenger Vehicles Business. This will empower the respective businesses to pursue their respective strategies to deliver higher growth with greater agility while reinforcing accountability.
- d) The proposed Scheme would be in the best interests of the Demerged Company/ Amalgamated Company, the Resulting Company, the Amalgamating Company and, their respective shareholders, employees, creditors and other stakeholders for the below reasons:
 - (i) The distinctive profile and established business model of the Commercial Vehicles Business and Passenger Vehicles Business makes it suitable to be housed in separately listed entities, allowing sharper strategic focus in pursuit of their independent value creation trajectories;
 - (ii) The Scheme would result in better and efficient control and management for the Commercial Vehicles Business and the Passenger Vehicles Business and would further empower the respective businesses to pursue their respective strategies to deliver growth with greater agility while reinforcing accountability;
 - (iii) The Scheme would unlock value for the overall-business portfolio through price-discovery of the Amalgamated Company and the Resulting Company for existing shareholders and shall entail direct holding of marketable securities therein;
 - (iv) The Scheme could lead to the right operating architecture for both companies with sharper focus on their individual business strategies and clear capital allocation, in alignment with their respective value creation journeys; and





- (v) Separately listed companies will attract specific set of investors for their business profile, and consequently, encourage focused capital market outcomes.

4. Consideration for the Scheme:

- 4.1 Upon effectiveness of the Scheme, in consideration of the transfer and vesting of the Demerged Undertaking from the Demerged Company to the Resulting Company in terms of the Scheme, each shareholder of the Demerged Company whose name is recorded in the Register of Members and records of the depository as a shareholder of the Demerged Company as on the Record Date (as defined in the Scheme) shall be issued and allotted 1 (one) share of the Resulting Company (face value of ₹2/- each fully paid-up), for every 1 (one) share of the Demerged Company (face value of ₹2/- each fully paid up) of the same class of shares outstanding as held by such shareholder in the Demerged Company ("**Share Entitlement Ratio**") without any further application, act or deed. These shares issued pursuant to the Share Entitlement Ratio ("**New Shares**") shall be subject to the Scheme, the memorandum and articles of association of the Resulting Company and Applicable Law. Further, once the Scheme is effective, the Resulting Company will mirror shareholding of the Demerged Company.
- 4.2 Upon the effectiveness of the Scheme and subject to receipt of regulatory approvals, the New Shares will be listed on the Stock Exchanges.
- 4.3 Upon allotment of the New Shares, the entire pre-scheme paid up share capital of TMLCV (held by TML) shall stand cancelled and reduced, without any consideration and without any further act, instrument or deed.
- 4.4 Since the Amalgamating Company is a wholly owned subsidiary of Amalgamated Company with all shares in the share capital of Amalgamating Company being held by the Amalgamated Company, the holding company, no shares whatsoever shall be issued and allotted by Amalgamated Company to itself in consideration of the amalgamation. Accordingly, all such shares of the Amalgamating Company held by the Amalgamated Company and investment of the Amalgamated Company in such shares as appearing in the books of the Amalgamated Company shall stand cancelled upon the Scheme becoming effective without issue or allotment of new shares in lieu of shares of the Amalgamating Company.
- 4.5 The effectiveness of the Scheme is conditional upon satisfaction of the following Conditions Precedent (unless waived jointly by the Boards of the Parties (defined below) to the extent permissible under Applicable Law) set out in Clause 44 of the draft Scheme:
- a) The Stock Exchanges having issued their observation / no-objection letters as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Chapter XII of the Master Circular no. SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/48 dated May 21, 2024 issued by SEBI, as amended from time to time and Master Circular No. SEBI/HO/CFD/POD2/P/CIR/2023/93 dated June 20, 2023, issued by SEBI regarding Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, as amended from time to time;
- b) This Scheme being approved by the respective requisite majority of each class of members and creditors of the Demerged Company, the Resulting Company and the Amalgamating Company (collectively "**Parties**") as applicable or as may be required under the Act read with rules thereunder, and as may be directed by the Hon'ble Mumbai bench of the National Company Law Tribunal ("**Tribunal**");





- c) The relevant Parties having received such Permits as may be required by Applicable Law in respect of the Scheme and/ or to carry on its business from the Effective Date, in each case, and on terms and conditions acceptable to the Boards of the Parties;
 - d) Sanction of the Scheme by the Tribunal under Sections 230 to 232 and other relevant provisions of the Act and receipt of certified copy of the orders of the Tribunal approving the Scheme ("**Sanction Order**");
 - e) The certified copies of the Sanction Order having been filed by the respective Parties with the jurisdictional registrar of companies;
 - f) Any other matters expressly agreed in writing between the Parties to be conditions precedent to the effectiveness of the Scheme.
- 4.6 The Appointed Date for the proposed Scheme is the opening hours of business on July 1, 2025. The Effective Date for the proposed Scheme means the last of the approvals or events specified in Clause 44 of the Scheme are satisfied or have occurred or obtained or the requirement of which have been waived (in writing) in accordance with the Scheme.

5. Documents placed before the Audit Committee:

The following documents were placed before the Audit Committee:

- a) The draft of the Scheme;
- b) Report on recommendation of the Share Entitlement Ratio dated August 1, 2024 issued by PwC Business Consulting Services LLP, Registered Valuers (IBBI Reg No.: IBBI/RV-E/02/2022/158) recommending the share entitlement ratio and describing the methodology adopted in arriving at the share entitlement ratio in relation to the Scheme ("**Share Entitlement Report**");
- c) Fairness Opinion dated August 1, 2024 issued by SBI Capital Markets Limited, Independent Merchant Banker, opining on the fairness of the Share Entitlement Ratio ("**Fairness Opinion**");
- d) Auditors' Certificate issued by B S R & Co. LLP, Chartered Accountants, certifying that the accounting treatment in the draft Scheme is in conformity with the applicable accounting standards;
- e) Undertaking of the Company confirming non-applicability of the conditions specified in Paragraph (A)(10)(a) read with (A)(10)(b) of Part I of Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub- rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 dated June 20, 2023 (SEBI/HO/CFD/POD-2/P/CIR/2023/93) ("**Scheme Circular**") along with the Certificate by B S R & Co. LLP, Chartered Accountants, the Statutory Auditors of the Company, certifying the said undertaking under Paragraph (A)(10)(c) of Part I of Scheme Circular;
- f) Other presentations, reports, documents and information made to/ furnished before the Audit Committee pertaining to the draft Scheme.

6. Impact of the Scheme on the shareholders of the Company:

- 6.1 In consideration for the transfer and vesting of the Demerged Undertaking of the Company to TMLCV, all the equity shareholders (both promoter and non-promoter) of the Company as on the Record Date shall receive equity shares of TMLCV in the same proportion as their holding in the Company. There will therefore be no change in the economic interest of the shareholders of the Company before and after the Scheme.





Further, once the Scheme is effective, shareholding of TMLCV will mirror the shareholding of the Company. Therefore, the Scheme is not detrimental to the shareholders of the Company.

6.2 Additionally, the Share Entitlement Ratio under the Scheme is fair and in light of the rationale set out in the Scheme and hereinabove, the Scheme is beneficial to the shareholders of the Company.

7. Cost benefit analysis of the Scheme:

Although the Scheme would lead to the Company incurring costs towards its implementation, the benefits of the Scheme over a longer period of time will outweigh such costs for the stakeholders of the Company. The proposed Scheme would be in the best interests of TML, TMLCV, TMPV and, their respective shareholders, employees, creditors and other stakeholders for the reasons mentioned in paragraph 3 above

8. Synergies of business of the entities involved in the Scheme:

Upon effectiveness of the Scheme, the benefits and synergies as mentioned in paragraph 3 above is expected to be derived by the respective companies.

9. Recommendation of the Audit Committee:

9.1 The Audit Committee has reviewed the Share Entitlement Report and noted the recommendations made therein. Further, the Fairness Opinion has confirmed that the Share Entitlement Ratio in connection with the proposed Scheme, recommended by the Registered Valuer in the Share Entitlement Report, is fair to the shareholders of the Company.

9.2 The Audit Committee took into consideration the documents including the draft of the Scheme, the Share Entitlement Report, Fairness Opinion as placed before the Committee and also noted the rationale, cost-benefit analysis, synergies of business amongst the companies involved and impact of the Scheme on shareholders of the Company. Based on the foregoing, the Audit Committee recommends the Scheme to the Board of Directors of the Company for their consideration and approval.

Name: Vedika Bhandarkar
Chairperson, Audit Committee
DIN: 00033808
Date: August 01, 2024
Place: Mumbai

