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FAIRNESS OPINION REPORT ON NCD EXCHANGE RATIO

**PREPARED FOR
TATA CAPITAL LIMITED**



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A Subsidiary of State Bank of India

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Glossary & Abbreviations

Abbreviations	Nomenclature
CIC	Core Investment Company
DCF	Discounted Cash Flow
FY	Financial Year
IFC	International Finance Corporation
NBFC-ND-SI	Systemically Important Non-Deposit taking Non-Banking Financial Company
P/B	Price-to-Book Value
RBI	Reserve Bank of India
SBICAPS	SBI Capital Markets Limited
TACO	Tata AutoComp Systems Limited
TCAPL	Tata Capital Advisors Pte. Ltd
TCCL	Tata Cleantech Capital Limited
TCHFL	Tata Capital Housing Finance Limited
TCFSL	Tata Capital Financial Services Limited
TCL	Tata Capital Limited
TCPL	Tata Capital Pte. Ltd.



1 BACKGROUND

1.1 About Companies

1.1.1 Tata Capital Limited ("TCL")

Tata Capital Limited ("TCL" or "Company") is a subsidiary of Tata Sons Private Limited. In May 2012, TCL was registered with the Reserve Bank of India ("RBI") as a Systemically Important NonDeposit Accepting Core Investment Company ("CIC"). As a CIC, TCL is a primary holding company, holding investments in its subsidiaries and other group companies and carries out only such activities as are permitted under the guidelines issued by RBI for CICs. The Company's subsidiaries are engaged in a wide array of businesses in the financial services sector. The Company is domiciled in India and incorporated under the Companies Act, 2013 and listed its non-convertible debentures with National Stock Exchange Limited.

TCL has the following 3 subsidiaries engaged in the lending business:

- Tata Capital Financial Services Limited (discussed in Section 1.1.2)
- Tata Cleantech Capital Limited (discussed in Section 1.1.3)
- Tata Capital Housing Finance Limited ("TCHFL"), is a wholly owned subsidiary of TCL and is registered as a Housing Finance Company with the National Housing Bank ("NHB") to carry on housing finance activities. TCHFL primarily offers Home Loans and Affordable Housing Loans. TCHFL also provides Loans Against Property and Loans to Developers for constructing Residential and Commercial premises.

Apart from lending business, TCL has the following businesses:

- **Private Equity Funds:** TCL has set up multiple Private Equity Funds in India, viz. Tata Capital Growth Fund I, Tata Capital Growth Fund II, Tata Capital Healthcare Fund I, Tata Capital Healthcare Fund II, Tata Opportunities Fund, Tata Capital Innovations Fund and Tata Capital Special Situations Fund - Trust (collectively referred to as "Funds"). These Funds have been registered with SEBI as Venture Capital Funds/Alternative Investment Funds. TCL has sponsored these Funds and acts as their Investment Manager.
- **Presence in Singapore:** Tata Capital Pte. Ltd. ("TCPL"), a wholly-owned subsidiary of TCL, has been established in Singapore and is responsible for Tata



Capital's international presence and activities. TCPL's wholly-owned subsidiary in Singapore, Tata Capital Advisors Pte. Ltd. ("TCAPL"), acts as an Investment Manager to the Private Equity Funds set up in Singapore, to which, TCL acts as an Advisor.

- **Tata Securities Limited** ("Tata Securities") is a wholly-owned subsidiary of TCL. Tata Securities has been empanelled with several Asset Management Companies operating in India. Tata Securities is currently engaged in the business of distribution of Mutual Fund units.

Shareholding pattern of TCL:

The Issued, Subscribed and Paid-up equity share capital of TCL as of March 27, 2023, is Rs. 3,560.12 crores consisting of 3,56,01,19,841 equity shares of face value of Rs. 10 each. The shareholding pattern is as follows:

Table 1-1: Holding pattern of Equity Shares of TCL

Category	Equity Shares	Amount (Rs. In Cr)	% Shareholding
Tata Sons Private Limited	3,36,64,11,042	3,366.41	94.56%
Tata Investment Corporation Limited	7,81,61,548	78.16	2.20%
Trustees of TCL Employee Welfare Trust and holders of shares granted under ESOP scheme	7,10,65,986	71.07	2.00%
Tata Group Companies	1,35,67,116	13.57	0.38%
Other Companies	2,62,82,282	26.28	0.74%
Individuals	46,31,867	4.63	0.13%
Total	3,56,01,19,841	3,560.12	100.00%

Source: Company

The Issued, Subscribed and Paid-up preference share capital of TCL as of March 27, 2023, is Rs. 1,069.73 crores consisting of 1,06,97,250 preference shares of face value of Rs. 1000 each. The shareholding pattern is as follows:

Table 1-2: Holding pattern of Preference Shares of TCL

Category	Preference Shares	Amount (Rs. In Cr.)	% Shareholding
Bodies Corporate	54,25,919	542.59	50.72%
Individuals	47,79,576	477.96	44.68%
Trust	1,52,500	15.25	1.43%
Others	3,39,255	33.93	3.17%
Total	1,06,97,250	1,069.73	100.00%

Source: Company



1.1.2 Tata Capital Financial Services Limited ("TCFSL")

Tata Capital Financial Services Limited ("TCFSL"), a wholly-owned subsidiary of TCL, is a Systemically Important Non-Deposit taking Non-Banking Financial Company ("NBFC-ND-SI"), holding a Certificate of Registration dated November 4, 2011, from the RBI. TCFSL is a one stop financial service provider that caters to the diverse needs of the Retail, SME and Corporate Customers.

Shareholding Pattern of TCFSL:

The Issued, Subscribed and Paid-up Share Capital of TCFSL as of March 27, 2023, was Rs. 1,718.85 crores consisting of 1,71,88,46,485 Equity Shares of Rs. 10 each. The shareholding pattern is as follows:

Table 1-3: Holding pattern of Equity Shares of TCFSL

Category	Equity Shares	Amount (Rs. In Cr)	% Shareholding
Tata Capital Limited	1,71,88,46,485	1,718.85	100.00%
Total	1,71,88,46,485	1,718.85	100.00%

Source: Company

1.1.3 Tata Cleantech Capital Limited ("TCCL")

Tata Cleantech Capital Limited ("TCCL") is registered with the RBI as a Systemically Important Non-Deposit Accepting Non-Banking Financial Company. TCCL engages in the business of providing cash flow based finance and advisory services for projects in Renewable Energy, Energy Efficiency, Waste Management, Water Management and other Infrastructure Projects. TCCL is a joint venture between TCL and International Finance Corporation ("IFC"), Washington D.C., USA, with equity holding in the ratio of 80.5:19.5. The Company has been registered with the RBI as an Infrastructure Finance Company since October 15, 2015.

Shareholding Pattern of TCCL:

The issued and subscribed equity share capital of TCCL as of March 27, 2023, is Rs. 459.29 crores consisting of 45,92,85,639 equity shares of face value of Rs. 10 each. The shareholding pattern is as follows:



Table 1-4: Holding pattern of Equity Shares of TCCL

Category	Equity Shares	Amount (Rs. In Cr.)	% Shareholding
Tata Capital Limited	36,97,24,940	369.72	80.50%
International Finance Corporation	8,95,60,699	89.56	19.50%
Total	45,92,85,639	459.29	100.00%

Source: Company

1.2 Transaction Overview

We have been informed that the management of the Companies viz. TCL, TCFSL & TCCL are considering a proposal for the merger / amalgamation of TCFSL & TCCL into TCL. It may be noted that the Non-Convertible Debentures ("NCD") of TCL & TCCL are listed. We understand that as per SEBI regulations, NOC from the stock exchange for proposed merger of TCCL into TCL is required before approaching NCLT for approval of scheme of arrangement. For this purpose, TCL would require valuation of NCDs from registered valuer and fairness opinion from a SEBI registered merchant banker. In view of the same, TCL is undertaking an exercise for the fair exchange ratio of NCD of TCCL pursuant to the proposed merger of TCCL into TCL (hereinafter referred to as "Transaction"). The fair exchange ratio of NCDs for this report refers to number of NCDs of TCL which would be issued to the NCD holders of TCCL pursuant to the Proposed Merger.

As informed to us, TCL has appointed SSPA & Co. Chartered Accountants ("SSPA") and TCCL has appointed Ernst & Young Merchant Banking Services LLP ("E&Y") as Valuers for issuing joint report for the Transaction. Further, TCL requires a fairness opinion on the joint report.

1.3 Role of SBI Capital Markets Ltd.

Through Engagement letter dated 21st February 2023, SBI Capital Markets Limited (SBICAPS) was appointed by TCL to issue fairness opinion report for the Transaction based on Joint Report provided by Valuers.



1.4 Sources of Information

We have relied upon the following sources of information provided by the management of the Company.

- Valuation report from the Valuers.
- Details of NCDs of TCL and TCCL.
- Other relevant information and data including information in the public domain.
- Such other information and explanations relevant for our assignment, have been provided by the management during the discussions.

2 SBICAPS VIEW ON THE FAIRNESS OF THE TRANSACTION

The Valuers are of the view that for arriving at the fair NCD exchange ratio for the Proposed Merger of TCCL into TCL would require determining the relative value of NCDs of TCCL and the value of NCDs of TCL proposed to be issued. The proposal is to issue NCDs of TCL to the various series of NCD holders of TCCL with the same terms as that of current terms of the respective series of NCDs of TCCL including the coupon rates, tenure, redemption price and quantum and nature of security etc. Post issue of this there will be new separate series of NCDs in TCL for the NCDs issued against each existing series of NCDs of TCCL.

Further, as per the Valuers report, it is understood from the management that considering the credit ratings of existing NCDs of TCL and TCCL, the existing market yields having same terms as that of current NCDs of TCCL will not be materially different from that of NCDs proposed to be issued by TCL.

In view of the above, the Valuers have recommended the NCD exchange ratio of:

For every 1 (One) NCD of TCCL 1(One) NCD of TCL of equivalent face and paid-up value, coupon rate, tenure, redemption price and quantum and nature of security offered, etc.

Considering similar yield for NCDs of TCCL and TCL expected based on current credit ratings and all other terms viz. paid-up value, coupon rate, tenure, redemption price and quantum and nature of security offered, etc. proposed to remain same, we are of the opinion that the proposed NCD exchange ratio for the Transaction, carried out by



independent Valuers is fair and reasonable based on the facts, information and explanation given to us.

Based on interaction with management and considering tata group tacit support to the TCL entities from time to time, ratings of NCDs of TCL is estimated to be AAA post-merger which will be same as NCD ratings of TCCL pre-merger. Hence, we are of the view that NCD exchange ratio of 1:1 (i.e., for every 1 (One) NCD of TCCL 1(One) NCD of TCL would be issued) is fair and reasonable.



Yours Sincerely,

For SBI Capital Markets Limited

Name: SaiPrasad Modi

Designation: Vice President

