



REPORT ADOPTED BY THE BOARD OF DIRECTORS OF TATA CAPITAL LIMITED AT ITS MEETING HELD ON MARCH 28, 2023, EXPLAINING THE EFFECT OF THE SCHEME OF ARRANGEMENT FOR AMALGAMATION OF TATA CAPITAL FINANCIAL SERVICES LIMITED AND TATA CLEANTECH CAPITAL LIMITED WITH TATA CAPITAL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS, ON EACH CLASS OF SHAREHOLDERS (PROMOTERS AND NON-PROMOTER SHAREHOLDERS), KEY MANAGERIAL PERSONNEL, DEBENTURE HOLDERS, CREDITORS, EMPLOYEES AND DIRECTORS

A. Background:

1. The Board of Tata Capital Limited (“TCL” or “**Transferee Company**” or “**Company**”) at its meeting held on March 28, 2023, approved the Scheme of Arrangement for amalgamation of Tata Capital Financial Services Limited (“TCFSL” or “**Transferor Company 1**”) and Tata Cleantech Capital Limited (“TCCL” or “**Transferor Company 2**”) with the Company and their respective shareholders (“**Scheme**”), to be implemented under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 and the rules made thereunder (“**Act**”) and other applicable provisions, if any, of the Act.
2. Pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103, dated July 29, 2022, as amended from time to time (“SEBI Circular”) and as per Section 232(2)(c) of the Act, a report from the Board of the Company explaining the effect of the Scheme on each class of shareholders (promoters and non - promoter shareholders), key managerial personnel (“**KMPs**”), debenture holders, creditors, employees and directors of the Company, setting out, among other things, the share exchange ratio, specifying any special valuation difficulties, is required to be adopted by the Board. Such report is then required to be appended with the notice of the meeting of shareholders and creditors if ordered by the jurisdictional National Company Law Tribunal.

Further, pursuant to the requirements of the SEBI Circular, the Board is required to also comment on impact of the scheme on the holder of Non-Convertible Debentures / Non Convertible Preference Shares, safeguards for the protection of the holders of NCDs / NCRPs and exit offer to the dissenting shareholders of NCDs / NCRPS, if any.

Accordingly, this report of the Board is prepared to comply with the aforesaid requirements.

3. While deliberating on the Scheme, the Board, inter-alia, considered and took on record the following documents:
 - (a) A draft of the proposed Scheme.
 - (b) Joint Valuation report dated March 28, 2023, issued by SSPA & Co. and Ernst & Young Merchant Banking Services LLP, Registered Valuers, describing the methodology adopted by them in arriving at the share exchange ratio in relation to the amalgamation.

TATA CAPITAL LIMITED

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- (c) Joint Valuation Report dated March 28, 2023 issued by SSPA & Co. and Ernst & Young Merchant Banking Services LLP, Registered Valuers with respect to the Non Convertible Debentures.
 - (d) Fairness Opinion dated March 28, 2023 issued by SBI Capital Markets Limited, Independent Merchant Banker, registered with SEBI on the valuation report issued by the Registered Valuers for the purpose of providing opinion in respect of the share exchange ratio.
 - (e) Fairness Opinion March 28, 2023 issued by SBI Capital Markets Limited, Independent Merchant Banker, registered with SEBI on the valuation report issued by the Registered Valuers with respect to the Non Convertible Debentures.
 - (f) Draft Auditor's certificate issued by M/s. KKC & Associates LLP, Chartered Accountants, Statutory Auditors of the Company ("**Accounting Treatment Certificate**"), to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act.
 - (g) Audit Committee's approval dated March 28, 2023, recommending the Scheme.
 - (h) Other presentations, reports, documents and information pertaining to the draft Scheme made available or circulated to the Board.
4. The Scheme, amongst others, contemplates the following arrangements:
- (a) Amalgamation of Transferor Company 1 and Transferor Company 2 with the Transferee Company in the manner set out in Part II of the Scheme.
 - (b) Reduction of securities premium of the Transferee Company after the amalgamation of the Undertaking in the manner set out in Part III of the Scheme.

5. Rationale of the Scheme:

TCL, being a CIC, has four Indian subsidiary companies viz. TCFSL, Tata Capital Housing Finance Limited ("TCHFL"), TCCL and Tata Securities Limited ("TSL"). TCFSL, TCHFL and TCCL, are primarily engaged in the business of lending. TCFSL and TCCL are registered with RBI as a NBFC ND SI and TCHFL is registered with National Housing Bank as a Housing Finance Company. TSL is currently engaged in the business of distribution of Mutual Fund units in the capacity of an AMFI registered distributor. Each of the entities cater to distinct segments and offer different products. It is now proposed to consolidate the businesses of TCFSL and TCCL at the TCL level, for creation of a larger unified entity and, to that extent, reduce the number of registered non-banking financial companies (NBFCs) within the Tata Capital Group to achieve optimal and efficient utilization of capital, enhance operational and management efficiencies and have a simplified organizational structure.

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Thus, the amalgamation of the Transferor Companies with the Transferee Company pursuant to this Scheme would, inter-alia, have the following benefits:

- i. Consolidation of businesses would help in achieving simplified organizational structure, improve operational and management efficiencies, streamline business operations and decision-making process and enable greater economies of scale;
- ii. Lead to the creation of a larger unified entity with a wider and stronger capital and asset base, having greater capacity for conducting its operations more efficiently and competitively;
- iii. Reduction in the number of NBFCs within the group, resulting in lesser overheads including administrative, managerial, and other expenditure, optimal utilization of resources, and provide a common governance structure;
- iv. Consolidation of the businesses carried on by them is strategic in nature and will generate significant business synergies thereby enhancing stakeholders' value;
- v. The Transferor and Transferee Companies have a proven track record in the respective businesses of credit and consolidating those will lead to pooling of knowledge and expertise and align with the business plans which will enable the group to meet its long-term objectives;
- vi. Greater financial strength and flexibility for the Transferee Company.

B. Effect of the Scheme on equity shareholders (promoter and non-promoter shareholders), Key Managerial Personnel, debenture holders, creditors, employees and Directors of the Company:

1. Effect on each class of shareholders (promoter and non-promoter shareholders):

Pursuant to the Scheme, the entire Undertaking (as defined in the Scheme) of the Transferor Company 1 and Transferor Company 2 shall be merged with the Transferee Company.

Upon the Scheme becoming effective and upon amalgamation of Transferor Company 1 and Transferor Company 2 with the Transferee Company in terms of this Scheme, the Transferee Company shall issue and allot its equity shares to the members of the Transferor Company 2 whose names appear in the register of members of the Transferor Company 2 (except for shares already held by the Transferee Company) as on record date in the following proportion viz.:

“4 (four) equity shares of face value of Rs. 10/- each of Transferee Company shall be issued and allotted as fully paid up for every 5 (five) equity shares of the face value of Rs. 10/- each fully paid up held in Transferor Company 2”

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The said share exchange ratio is arrived at after taking into consideration the valuation reports issued by joint valuers, SSPA & Co. and Ernst & Young, Registered Valuers, which has been duly considered by the Board of Directors of the Company and the Board has come to the conclusion that the said share exchange ratio is fair and reasonable.

The equity shares so issued and allotted as provided above shall be subject to the provisions of the Memorandum and Articles of Association of the Transferee Company and shall rank *pari-passu* in all respects with the equity shares of the Transferee Company as set out in the Scheme.

As the Transferee Company along with joint shareholders holds the entire equity share capital of the Transferor Company 1, on amalgamation, neither any consideration will be paid, nor any shares shall be issued by the Transferee Company in consideration of amalgamation. The shares of the Transferor Companies held by the Transferee Company shall stand extinguished upon the Scheme becoming effective.

2. Effect on the KMPs and Directors of the Company:

The Scheme would not have any effect on the KMPs and Directors of the Company.

The KMPs and Directors of the Company and their respective relatives may be deemed to be concerned and / or interested in the Scheme only to the extent of their shareholding in the Company (if any), or to the extent the said KMPs / Directors are the partners, directors, members of the companies, firms, association of persons, body corporates and / or beneficiary of the trust that holds shares in the Company, as applicable.

3. Effect and impact on the holders of debentures and safeguards for the protection of the debenture holders:

There will not be any impact on the debenture holders of the Company pursuant to the Scheme. The current debenture holders will continue to be served by the Transferee Company

Thus, the Scheme envisages that the holders of NCDs of TCFSL and TCCL will become holders of NCDs of TCL at exactly the same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, ISIN respectively. Therefore, the Scheme will not have any adverse impact on the holders of the NCDs and thus adequately safeguards interests of the holders of the NCDs.

4. Exit offer to the dissenting holders of the debentures of the Company:

The same will be guided by the respective disclosure documents.

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5. Effect on the creditors:

Under the Scheme, there is no arrangement with the creditors (secured or unsecured) of the Company. No compromise is offered under the Scheme to any of the creditors of the Company. The liability of the creditors of the Company, under the Scheme, is neither being reduced nor being extinguished.

6. Effect on staff or employees:

Under the Scheme, no rights of the staff and employees of the Company are being affected. The services of the staff and employees of the Company shall continue on the same terms and conditions prior to the proposed Scheme.

C. Conclusion

While deliberating the Scheme, the Board has considered its impact on each of the shareholders, (promoters and non-promoter shareholders), key managerial personnel, directors, debenture holders, creditors and employees. The Scheme is in the best interest of the shareholders (promoters and non-promoter shareholders), key managerial personnel, directors, debenture holders, creditors and employees of the Company and there shall be no prejudice caused to them in any manner by the Scheme.

By order of the Board

For **Tata Capital Limited**

Rajiv Sabharwal
Managing Director & CEO
DIN: 00057333

Date: April 4, 2023

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