

<b>SSPA &amp; CO.</b> Chartered Accountants Registered Valuer Registration No. IBBI/RV-E/06/2020/126  1st Floor, "Arjun" Plot No. 6A, V.P. Road, Andheri (West), Mumbai – 400 058.	<b>Ernst &amp; Young Merchant Banking Services LLP</b> Registered Valuer Registration No. IBBI/RV-E/05/2021/155  14th Floor, The Ruby, 29, Senapati Bapat Marg, Dadar (West), Mumbai – 400 028.
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**Dated: 28 March 2023**

To,

<b>The Audit Committee and The Board of Directors,</b> <b>Tata Capital Limited</b> 11th Floor, Tower A, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013.	<b>The Audit Committee and The Board of Directors,</b> <b>Tata Cleantech Capital Limited</b> 11th Floor, Tower A, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013.
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**Sub: Valuation Report in relation to Non-Convertible Debentures for the proposed Merger of Tata Cleantech Capital Limited into Tata Capital Limited**

Dear Sir / Madam,

We refer to our respective engagement letters dated 01 February 2023 of SSPA & CO., Chartered Accountants, ("SSPA") and dated 16 February 2023 and addendum dated 18 February 2023 of Ernst & Young Merchant Banking Services LLP ("EY"), whereby SSPA and EY are appointed by Tata Capital Limited ("Tata Capital" or "TCL") and Tata Cleantech Capital Limited ("Tata Cleantech" or "TCCL") respectively for recommendation of fair exchange ratio of Non-Convertible Debentures ("NCD") for the proposed merger of TCCL into TCL ("Proposed Merger").

TCCL and TCL are hereinafter jointly referred to as "Companies" or "Clients" or "Valuation Subjects".

SSPA and EY are hereinafter jointly referred to as "Valuers" or "we" or "us" in this report.

In connection with the Proposed Merger, the NCDs of TCCL will be transferred to TCL at exactly same terms as the respective NCDs of TCCL. Pursuant to the Proposed Merger, NCD holders of TCCL would hold NCDs of TCL.

Our deliverable for this engagement would be a report in relation to NCDs of TCL which will be held by NCD holders of TCCL pursuant to the Proposed Merger ("Report"). For the purpose of this Report, we have considered the Valuation Date as 24 March 2023 ("Valuation Date").



## COMPANIES' BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

TCL is a holding company which holds investments in its subsidiaries which are mainly engaged in lending. TCL is a subsidiary of Tata Sons Private Limited and is registered with the Reserve Bank of India ("RBI") as a Systemically Important Non-Deposit Accepting Core Investment Company ("CIC"). TCL and its subsidiaries are engaged in lending and offering a wide array of products/services in financial services sector.

As on Valuation Date, TCL has the following material subsidiaries:

Tata Capital Financial Services Limited ("TCFSL") is a wholly owned subsidiary of TCL and 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's main areas of business include retail finance, SME and commercial finance.

Tata Capital Housing Finance Limited ("Tata Housing" or "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.

TCCL is a joint venture between TCL and International Finance Corporation ("IFC"), Washington D.C., USA, with equity holding in the ratio of 80.50:19.50. TCCL is registered with RBI as a NBFC-ND-SI. 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 has been registered with the RBI as an Infrastructure Finance Company since October 15, 2015.

We understand that the management of the Companies (hereinafter referred to as "the Management") are contemplating merger of TCCL with TCL through a Scheme of Arrangement under the provisions of Sections 230-232 read with Section 66 and the other applicable provisions of the Companies Act, 2013 and Rules made there under ("Proposed Merger").

In this connection, the Audit Committee / Board of Directors of TCL and TCCL have appointed SSPA and EY respectively, Registered Valuers, to submit a joint valuation report, in relation to NCDs of TCL which will be held by NCD holders of TCCL for the Proposed Merger.

We understand that the appointed date for the Proposed Merger as per the draft scheme shall be opening business hours of 1 April 2023 or such other later date as the Board may decide.

The scope of our services is to conduct a relative (and not absolute) valuation of NCDs of the Valuation Subjects and report a fair NCD Exchange Ratio for the Proposed Merger in accordance with internationally accepted valuation standards / ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India as applicable.

The Valuers have been appointed severally and not jointly and accordingly owe responsibility to the respective company that has engaged them, under the terms of their respective engagement. The Valuers have worked independently in their analysis.



We have been provided with the Unaudited limited reviewed financials of TCL and TCCL for 9 months ended 31 December 2022 and also the details of NCDs issued by TCL and TCCL. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report. The Management has informed us that there are no unusual/abnormal events in the Companies materially impacting their operating/financial performance till the Report date. Further, we have been informed that all material information impacting the Valuation Subjects have been disclosed to us.

We have relied on the above while arriving at our recommendation for the Proposed Merger.

We have been informed that till the Proposed Merger becomes effective, neither Companies would declare any substantial dividends other than in the ordinary course of business.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, qualifications, exclusions, limitations, and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.

### **SOURCES OF INFORMATION**

In connection with this exercise, we have received/obtained the following information about the Valuation Subjects from the Management:

- Unaudited limited reviewed financials for nine months ended 31 December 2022 for TCL and TCCL.
- Details of NCDs of TCL and TCCL.
- Other relevant information and documents for the purpose of this engagement.

During the discussions with the Management, we have also obtained explanations, information, and representations, which we believed were reasonably necessary and relevant for our exercise. The Clients have been provided with the opportunity to review the draft report as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Report.

### **PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED**

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received details of terms of NCDs of TCL and TCCL such as credit rating, coupon rates, tenure, redemption price and quantum and nature of security.
- Discussions (physical/over call) with the Management to understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis, historical financial performance.
- Looked at the credit rating, coupon rates, tenure, redemption price and quantum and nature of security of TCL and TCCL to assess the difference in market yields of NCDs in order to determine the fair NCD exchange ratio for the Proposed Merger.



## **SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

This Report is subject to the limitations detailed in respective engagement letters. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The recommendation contained herein is not intended to represent value at any time other than Report date. We have no obligation to update this Report.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the Report Date; (iii) terms of the NCDs including credit rating.

Valuation analysis and results are specific to the purpose of valuation and as per the agreed terms of the respective engagements. It may not be valid for any other purpose or as of any other date. Also, it may not be valid if done on behalf of any other entity.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic, and other conditions in general and industry trends in particular as in effect on and the information made available to us as of, the date hereof. This Report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the recommendation for the Proposed Merger. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation rendered in this Report only represent our recommendation based upon information furnished by the Companies and gathered from public domain (and analysis thereon) and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data. In accordance with the terms of our respective engagements, we have carried out relevant analyses and evaluations through discussions, calculations and such other means, as may be applicable and available, we have assumed and relied upon, without independently verifying (i) the accuracy of the information that was publicly available, sourced from subscribed databases and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Companies. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. Our valuation does not constitute as an audit or review in accordance with the auditing standards applicable in India, accounting / financial / commercial / legal / tax / environmental due diligence or forensic / investigation services and does not include verification or validation work. In accordance with the terms of our engagement / appointment letters and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical financials / financial information



or individual assets or liabilities, provided to us regarding the Companies / subsidiary / associates / joint ventures / investee companies. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in such historical financials / financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the assumptions and information given by / on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. This Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited / unaudited balance sheets of the Companies / subsidiary / associates / joint ventures / investee companies, if any. No investigation of Companies' (or their investee companies) claim to title of assets has been made for the purpose of this Report and Companies' (or their investee companies) claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. Our conclusion of value assumes that the assets and liabilities of the Valuation Subjects, reflected in their respective latest balance sheets remain intact as of the Report date.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Clients are the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the Clients from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Clients or Companies, their directors, employees or agents. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

We have not carried out any physical verification of the assets and liabilities of the Valuation Subjects and take no responsibility for the identification of such assets and liabilities.

This Report does not look into the business/commercial reasons behind the proposed transaction nor the likely benefits arising out of it. Similarly, it does not address the relative merits of the proposed transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The valuation analysis and result are governed by concept of materiality.

The fee for the engagement is not contingent upon the results reported.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. This report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.



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This Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Arrangement, without our prior written consent. In addition, we express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Merger.

**Disclosure of RV Interest or Conflict, if any and other affirmative statements**

We do not have any financial interest in the Clients, nor do we have any conflict of interest in carrying out this valuation.

Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation. Sufficient time and information was provided to us to carry out the valuation.



## SHAREHOLDING PATTERN

### TCL

The issued and subscribed equity share capital of TCL as of 31 December 2022 is INR 35,161.68 million consisting of 3,516,167,744 equity shares of face value of INR 10 each.

As on 23 March 2023, TCL issued additional shares of 43,952,097 equity shares of face value of INR 10 each, via rights issue at a share price of INR 135.1. Post the said rights issue, the issued and subscribed equity share capital as on 27 March 2023 is INR 35,601.20 million consisting of 3,560,119,841 equity shares.

Shareholding Pattern as on 27 March 2023	No. of Shares	% Shareholding
Promoter & Group (Tata Sons & Group)	3,458,139,706	97.14%
Other minority shareholders	101,980,135	2.86%
<b>Grand Total</b>	<b>3,560,119,841</b>	<b>100.0%</b>

Source: Management

### TCCL

The issued and subscribed equity share capital of TCCL as of 31 December 2022 is INR 4,592.9 million consisting of 459,285,639 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern as on 27 March 2023	No. of Shares	% Shareholding
Promoter & Group (TCL)	369,724,940	80.50%
International Finance Corporation	89,560,699	19.50%
<b>Grand Total</b>	<b>459,285,639</b>	<b>100.0%</b>

Source: Management

## APPROACH FOR RECOMMENDATION

The Proposed Merger contemplates the merger of TCCL into TCL. It would require determining the relative value of NCDs of TCCL and the value of NCDs of TCL proposed to be held by NCD holders of TCCL.

The proposal is to transfer NCDs of TCCL to TCL 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. and NCD holders of TCCL will become NCD holders of TCL post scheme is made effective.

Further, 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 of TCL proposed to be held by NCD holders of TCCL.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, for the respective series of NCDs, we recommend the fair 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.*

All NCDs of TCCL will be transferred to TCL with the same terms as that of current terms of the respective series of NCDs of TCCL.



Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for mergers and our reasonable judgment, in an independent and bona fide manner.

It should be noted that we have not examined the economic rationale for the Proposed Transaction per se nor accounting, legal or tax matters involved in the Proposed Transaction.

<p>Respectfully submitted, <b>SSPA &amp; Co.</b> <b>Chartered Accountants</b> ICAI Firm Registration No: 128851W IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126</p> <p><i>Parag S. Ved</i></p>  <p><b>Parag Ved</b> Partner ICAI Membership No. 102432 Registered Valuer No.: IBBI/RV/06/2018/10092 UDIN: 23102432 BGVATI3519 Place: Mumbai Date: 28 March 2023</p>	<p>Respectfully submitted, <b>Ernst &amp; Young Merchant Banking Services LLP</b> Registered Valuer Registration No. IBBI/RV-E/05/2021/155</p>  <p><i>[Signature]</i></p> <p><b>Parag Mehta</b> Partner EYMBS/RV/2023/053</p> <p>Place: Mumbai Date: 28 March 2023</p>
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