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FAIRNESS OPINION REPORT ON SHARE SWAP 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. In view of the same, TCL is undertaking an exercise for the valuation of TCL, TCFSL & TCCL to arrive at the fair market value of equity shares of these entities and to decide upon share swap ratio amongst equity shareholders of TCL and TCCL (hereinafter referred to as "Transaction").

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 valuation report of equity shares and arrive at a share swap ratio. Further, TCL requires a fairness opinion on the joint valuation report.

1.3 Role of SBI Capital Markets Ltd.

TCL has appointed SBI Capital Markets Limited (SBICAPS) to issue fairness opinion for the Transaction based on the Joint Valuation Report provided by the Valuers.

1.4 Sources of Information

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

- Joint valuation report from the Valuers.
- Audited financial statements of TCL, TCFSL, TCHFL & TCCL for the financial year ended March 31, 2020, March 31, 2021 & March 31, 2022.
- Unaudited limited review financial statements of TCL, TCFSL, TCHFL & TCCL for nine months period ended December 31, 2022.
- Financial projections of TCFSL, TCHFL & TCCL for the period from January 1, 2023, to March 31, 2025.



- 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

For relative valuation of equity shares of TCFSL & TCCL, Valuers have used the combination of Market approach and Income approach. And for valuation of equity shares of TCL, SSPA has used combination of Market approach and Income approach and E&Y has used Assets Approach.

TCCL:

Market Approach: Under Market approach, Comparable Companies' Multiple (CCM) Method has been adopted. Under CCM method, the value of equity shares of TCCL is determined by using Price to Book Value Multiple of comparable listed companies.

Income Approach: Under Income Approach, equity shares of TCCL are valued using Discounted Cash Flow ('DCF') Method. Under DCF method, the projected free cash flows based on Board approved projections till March 31, 2025, and terminal value are discounted at the cost of equity to arrive at the equity value. Appropriate adjustments have been made for value of other assets and liabilities and contingent liabilities, after considering tax impact wherever applicable.

TCFSL:

Market Approach: Under Market approach, Comparable Companies' Multiple (CCM) Method has been adopted. Under CCM method, the value of equity shares of TCFSL is determined by using Price to Book Value Multiple of comparable listed companies.

Income Approach: Under Income Approach, equity shares of TCFSL are valued using Discounted Cash Flow ('DCF') Method. Under DCF method, the projected free cash flows based on Board approved projections till March 31, 2025, and terminal value are discounted at the cost of equity to arrive at the equity value. Appropriate adjustments have been made for value of other assets and liabilities and contingent liabilities, after considering tax impact wherever applicable.



TCL:

In case of TCL, Valuer has used DCF method and CCM method to arrive at the standalone value of TCL and again DCF method and CCM method to arrive at the value of its subsidiaries. Final value of TCL is arrived by adding standalone TCL value and value of its subsidiaries after adjusting for liabilities including contingent liabilities and tax impact wherever applicable.

Based upon joint valuation report issued by the Valuers for the Transaction and the calculation for share swap ratio of as explained above, we are of the opinion that the share swap ratio of 5:4 (i.e., for every 5 (Five) shares of TCCL 4 (Four) shares of TCL would be issued) is fair & reasonable to the best of our professional understanding based on the facts, information and explanation given to us.



Yours Sincerely,

For SBI Capital Markets Limited

Name: SaiPrasad Modi

Designation: Vice President

