



## **Report of the Audit Committee of Tata Motors Limited (the “Company”)**

*[Pursuant to the Securities and Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirement) Regulations, 2015 and SEBI circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended from time to time]*

The Audit Committee of the Board of Directors of Tata Motors Limited (“TML” or “the Company” or “the Transferor Company”) at its meeting held on July 31, 2020, was requested to consider and recommend to the Board of Directors of the Company, (a) transfer of Company’s Passenger Vehicles Undertaking to TML Business Analytics Services Limited (“TBASL”) (proposed to be renamed as Tata Motors Passenger Vehicles Limited), on a slump sale basis as defined under Section 2(42C) of the Income-tax Act, 1961 by way of a scheme of arrangement to be entered into between the Company, TBASL and their respective members and (b) reduction of share capital of the Company without extinguishing or reducing its liability on any of its shares by writing down a portion of its securities premium account, which is lost or is unrepresented by available assets, with a corresponding adjustment to the accumulated losses amounting to ₹11,173.59 crores, pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (“Scheme”).

TBASL is a wholly owned subsidiary of TML Business Services Limited and TML, directly and indirectly, holds 100% equity interest in TML Business Services Limited and TBASL.

The following documents were presented to the Committee for review and consideration:

- Draft of the Scheme.
- Valuation Report dated July 31, 2020 issued by M/s. Vikrant Jain, Independent Chartered Accountants, Registered Valuer, setting out valuation of the Passenger Vehicles Undertaking of the Company being transferred to TBASL (“Valuation Report 1”).
- Valuation Report dated July 31, 2020 issued by M/s. S R B C & Co LLP, Independent Chartered Accountants setting out valuation of the Passenger Vehicles Undertaking of the Company being transferred to TBASL (“Valuation Report 2”).
- Fairness Opinion dated July 31, 2020 issued by M/s. Kotak Mahindra Capital Company Limited Independent Valuer, a Category I Merchant Banker stating that the consideration set out in Valuation Report 1 and Valuation Report 2 for the transfer of the Passenger Vehicles Undertaking of the Company to the Transferee Company as proposed under the Scheme is fair from a financial point of view.
- Certificate dated July 31, 2020 issued by the Statutory Auditors of the Company confirming the accounting treatment contained in the draft Scheme (“Auditor’s Certificate”).

### **TATA MOTORS LIMITED**

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The salient features of the Scheme presented to the Committee as under:

- The Scheme provides for transfer of the Company's Passenger Vehicles Undertaking (as defined in the Scheme) on a going concern on a slump sale basis as defined under Section 2(42C) of the Income-tax Act, 1961 to TBASL for a lump sum consideration of ₹9,417 crores.
- The name of TBASL would be changed to Tata Motors Passenger Vehicles Limited, pursuant to and subject to the provisions of the Scheme of Arrangement.
- The mode of settlement of consideration would be through issuance of equity shares by TBASL to the Company at value of ₹10 per equity share i.e. a fair value of TBASL to the Company.
- The remaining business of the Company and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Company.
- As part of an overall business re-organisation plan and in order to provide for the optimum running, growth and development of the Passenger Vehicles Undertaking and interests of the Transferor Company, it is necessary to realign the passenger vehicle business. In the circumstances it is considered desirable and expedient to reconstruct the Transferor Company by transferring the Passenger Vehicles Undertaking as a going concern to the Transferee Company in the manner and on the terms and conditions stated in this Scheme. This shall help in: (a) providing differentiated focus for the said passenger vehicle business and commercial vehicle business and help each of them realise their potential; and (b) unlocking business value and enhanced management focus and operational flexibility in each of the businesses.
- The passenger vehicle business (which also includes the electric vehicle business) landscape is seeing rapid transformation in the form of tightening emission norms and safety norms push towards electrification, enhanced disruptions from autonomous and connected technologies. Additionally, India continues to remain an attractive market for global OEMs while the aspiration levels of the Indian consumer continue to rise requiring stepped up investments in contemporary products in a competitive market. Over the last few years, the passenger vehicle business has implemented a strong turnaround and has earned its right to grow by launching a slew of successful products. A fully refreshed BS VI ready product portfolio based on the Impact 2.0 design philosophy, consistently improving Net Promoter Scores (NPS), improved retail market shares and an exciting entry into the electric vehicle space makes the business ready to realise its potential. Further, this restructuring would facilitate mutually beneficial strategic alliances for the passenger vehicle business in the future.



- The Company has accumulated losses amounting to ₹11,173.59 crores and also has balance in the securities premium account amounting to ₹22,194.89 crores, as per the audited standalone balance sheet of TML as on June 30, 2020. Accordingly, for a better presentation of the financial position of the Transferor Company, it is proposed that it may be prudent to consider a reduction of its share capital without extinguishing or reducing its liability on any of its shares by writing down a portion of its securities premium account, which is lost or is unrepresented by available assets, with a corresponding adjustment to the accumulated losses of the Transferor Company as mentioned above. The adjustment to the securities premium account does not involve any financial outlay and therefore, would not affect the ability or liquidity of the Transferor Company to meet its obligations/ commitments or have any adverse impact on the creditors.
- The transfer of the Passenger Vehicles Undertaking to TBASL would be subject to requisite approvals/observations/no-objection from the shareholders and the creditors of the Company, Securities and Exchange Board of India ("SEBI"), the BSE Limited ("BSE"), the National Stock Exchange of India Limited ("NSE"), National Company Law Tribunal ("NCLT") or such other competent authorities (the authorities'), as may be applicable.

In light of the foregoing and taking into consideration, *inter alia*, the Valuation Report 1, Valuation Report 2, the Fairness Opinion and the Auditor's Certificate the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for their favourable consideration and approval.

VEDIKA  
BHANDARKAR

Digitally signed by VEDIKA BHANDARKAR  
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Date: July 31, 2020  
Place: Mumbai

Vedika Bhandarkar  
DIN: 00033808  
Chairperson  
Audit Committee