



Tata Motors Group

Cancellation of 'A' ORD shares and issue of ORD shares as consideration

Cancellation of “A” ORD shares and issue of ORD shares as consideration

- 1 Tata Motors Board has approved a NCLT Scheme of Arrangement for cancellation of “A” ORD shares and issuance of ORD Shares as consideration for the cancellation / capital reduction
- 2 Every “A” ORD shareholder will receive 7 ORD shares for every 10 “A” ORD shares held (“Capital Reduction Consideration”)
Translates to 23% premium to the previous day closing price ⁽¹⁾ of “A” ORD shares; and 30% discount to ORD share price (vs ~43% prevailing discount ⁽¹⁾)
- 3 The transaction will reduce the total share capital by ~4% making it EPS accretive for all shareholders
- 4 Elimination of price discount between ORD and “A” ORD shares will improve overall market capitalization
- 5 No cash outgo⁽²⁾ for Tata Motors and hence no impact on Net Debt
- 6 Transaction is subject to regulatory approvals; Expect to take 12-15 months for completion
- 7 Along with the delisting of ADRs, the above actions will simplify, streamline and consolidate trading of TML equity shares to the TML ORD shares on NSE and BSE, India

Note: (1) Closing price of ORD shares and ‘A’ ORD shares as of 24th July 2023

(2) TML will have to bear Stamp duty on the scheme, initial corpus for settling the Trust, legal expenses and fees for valuation report and fairness opinion, other advisory fees

“A” ORD shares trade at deep discount to ORD shares despite adequate liquidity

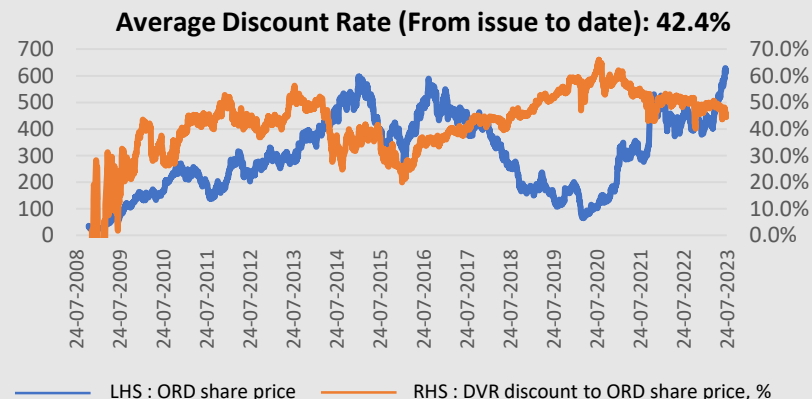
- In 2008, TML issued “A” ORD shares at a 10% discount to ORD with lower voting rights (1/10th) and higher dividend (by 5%)
- In 2009, SEBI disallowed companies to create new class of shares with differential rights impacting the market for new issuances. Existing “A” ORD shares were allowed to continue
- TML remains the only major listed company with “A” ORD share capital
- TML issued additional “A” ORD shares through a QIP in 2010 and a Rights Issue in 2015
- The “A” ORD shares were also included in Index and F&O segment resulting in improved liquidity
- Despite these, the price gap between the ORD Shares and ‘A’ ORD shares remains high at ~43%⁽¹⁾
- The discount has not materially changed even after the announcement of dividends in May 23

Average discount in price of “A” ORD shares as compared to ORD shares

On issuance	2010-2014	2010-2023	Last 10 years	Last 5 years	Last 3 years	Last 12 months	24 th July 2023
10.0%	40.0% ¹	43.1%	45.1%	52.2%	52.2%	48.4%	43.1%

1-Company has consistently paid average dividend of 150% of face value every year during 2010-2014

Note: (1) Closing price of ORD shares and ‘A’ ORD shares as of 24th July 2023



The proposed Scheme

Capital Reduction Consideration

- “A” ORD shares to be cancelled and ORD Shares issued as consideration
- Capital Reduction Ratio - 7 ORD shares for 10 ‘A’ ORD shares

Tax Impact *(Refer annexure)*

- The transaction is taxable in the hands of “A” ORD shareholders only
- WHT taxes applicable for deemed dividend & capital gains

Operationalising the Scheme through a “Trust” *(Refer annexure)*

- “A” ORD holders to authorize creation of an independent Trust to operationalise the scheme and settle tax liabilities
- The Trust to sell requisite ORD shares to settle applicable taxes and the net ORD shares and cash for fractional entitlement to be credited to the “A” ORD holder’s account

Approvals required

- SEBI, Stock Exchanges
- Approval of both ORD, ‘A’ ORD shareholders (75%) as separate classes; Majority of minority required
- Creditors
- NCLT

Registered Valuer Fairness Opinion



Registered Valuer



Fairness Opinion ‘A’ ORD shares



Fairness Opinion ORD shares

Impact on TML share capital

Capital reduced by 4%; Promoter voting rights diluted by 3.2%

	Pre			Post			Delta
	Promoter	Public	Total	Promoter	Public	Total	
DVR / New Ord (# Cr)	3.9	47.0	50.9	2.7	32.9	35.6	-15.3
Ordinary(#Cr)	154.1	178.0	332.1	154.1	178.0	332.1	-
Total (# Cr)	158.0	225.0	383.0	156.8	210.9	367.7	-15.3
							4.2%
Economic rights	41.3%	58.7%	100.0%	42.6%	57.4%	100.0%	1.4%
Voting rights	45.8%	54.2%	100.0%	42.6%	57.4%	100.0%	-3.2%

Promoter voting rights diluted by ~3.2%

Post implementation of Scheme voting rights and economic rights of shareholders will become same

The transaction will reduce share capital by 4.2% making it EPS accretive for all shareholders

Note: (1) ORD = 1 voting right; 'A' ORD – 1/10th voting rights

The scheme benefits all shareholders and the company.

“A” ORD shareholders

- The 30% discount proposed for the Capital Reduction Ratio is significantly lower than historical trends
- Will benefit from better liquidity in ORD shares
- Continue to participate in the TML story

ORD Shareholders

- EPS accretive by ~4%
- Economic rights are not affected
- Increases the free float of ORD shares by ~18%
- Enhances voting rights of public shareholders by 3.2%

Tata Motors

- Capital structure streamlined
- Increase in market capitalization by removing discount on “A” ORD shares
- Cash neutral transaction⁽¹⁾
- No impact on Net Debt

Note:

1. TML will have to bear Stamp duty on the scheme, initial corpus for settling the Trust, legal expenses and fees for valuation report and fairness opinion, other advisory fees



Q&A session - Cancellation of 'A' ORD shares and issue of ORD shares as consideration

Please submit your questions in the Q&A textbox

Please mention your name and name of the organization you represent along with the questions

Annexures

Tax Implication of the Scheme for “A” ORD shareholders

Tax Treatment*

- Cancellation of ‘A’ ORD shares and issue of ORD shares will be taxable in the hands of A ORD shareholders
- The applicable WHT taxes for each “A” ORD holder will be settled by the Trust by selling requisite ORD shares and the net ORD shares and cash for fractional entitlement to be credited to the holder’s account

Total Adjustment Amount*

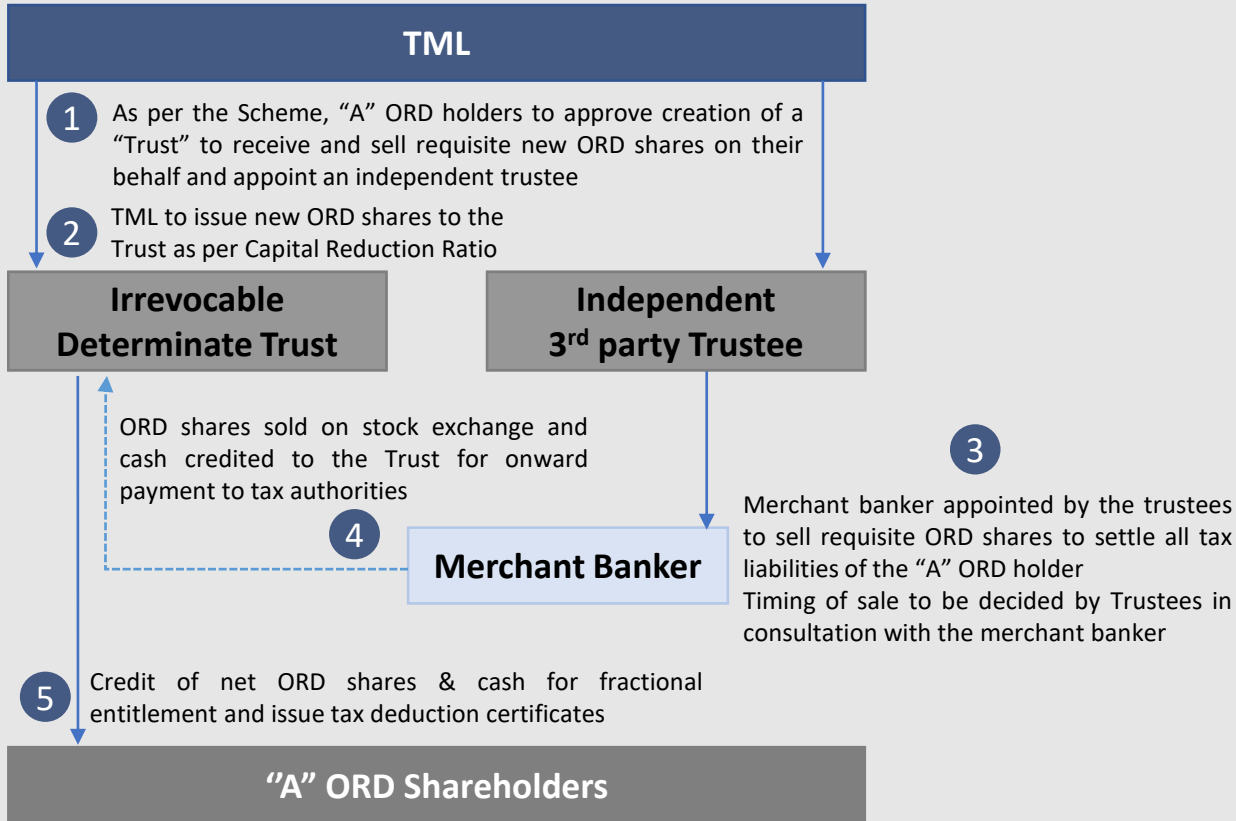
- 1. WHT on Deemed Dividend :**
 - WHT tax on deemed dividend to the extent of accumulated profits of TML on ‘Effective Date’ of the Scheme
 - 2. WHT on Capital Gains on issue of ORD shares applicable only for Non-Resident holders**
 - 3. Short Term Capital Gains on sale of ORD shares** by Trust for generating funds towards WHT amount and Fractional Shares. Trust to discharge the short-term capital gains tax
- 1. Securities transaction tax, transaction cost(s), brokerage charges** payable solely with respect to the sale of ORD shares in step 3

Prevailing Rates*

Category of Shareholders	1. WHT on Deemed Dividend	2. WHT on Capital Gains on issue of ORD shares	3. Short term Capital Gains (on ORD shares sold to settle WHT liability)
Mutual Fund u/s 10(23)D / Insurance	0%	0%	0%
Domestic - Resident	10%	0%	17.16%-17.94%
FPIs**	21.84%-23.92%	0%	16.38%-17.94%
NRI**	23.92%	11.96% (>12m); 42.74% (< 12m)	17.94%

Note : 1) * This is indicative and subject to change pursuant to any change in law, regulations or judicial interpretations. Kindly consult your tax advisor for confirming your applicable taxes and capital gains taxation on cancellation of ‘A’ ORD shares and issue of ‘ORD’ shares 2) ** Non-resident tax liability is subject to relevant tax treaty benefits, if any

Scheme operationalized through a “Trust” on behalf of “A” ORD holders **TATA MOTORS**



Trust Corpus:

- Funded by TML
- Corpus sufficient to meet Trust related expenses

Trust Deed:

- Captures the steps and mechanics for operationalization of the Scheme
- Determines the role and responsibilities of each party

Timeline for formation of Trust:

- To be set-up prior to “Effective Date” of the scheme