



Capital Reduction via Cancellation of 'A' ORD Shares

NCLT convened Shareholders' Meeting: April 30, 2024

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- ❑ On July 25, 2023, Tata Motors (“TML”) announced a scheme of arrangement (“Scheme”) for capital reduction through
 - ❑ cancellation of ‘A’ Ordinary shares and
 - ❑ issuance and allotment of 7 fully paid ordinary shares as consideration for every 10 ‘A’ Ordinary shares

- ❑ As directed by NCLT, separate meetings of both classes of shareholders has been convened on 30th April 2024 to seek approval for the scheme, with majority of minority approval required in both meetings.

'A' ORD shares have traded at a 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 the above actions, the price gap between the ORD shares and 'A' ORD shares remained high at ~44% till the time of announcement of the scheme

Discount evolution ('A' ORD relative to ORD)

	At Issuance	2010-2014*	Since Listing to Scheme Announcement (24-Jul-23)	3 Years prior to Scheme Announcement (24-Jul-23)	1 Year prior to Scheme Announcement (24-Jul-23)	1D Prior to Scheme Announcement (24-Jul-23)	From Announcement to Date	Current
Avg. Discount	10%	40.0%	42%	52%	48%	44%	33%	33%

*Company had paid average annual dividend of 150% of face value from 2010-2014

The Proposed Scheme

Capital Reduction Consideration

- 'A' ORD shares to be cancelled and ORD Shares to be issued as consideration
- Consideration - 7 ORD shares for every 10 'A' ORD shares

Scheme Operationalized through a "Trust"

- An independent Trust would be appointed to operationalize 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

Tax Impact

- Cancellation of 'A' ORD shares and issue of ORD shares is taxable in the hands of 'A' ORD shareholders only as follows

Category of Shareholders	1. WHT on Deemed Dividend	2. WHT on Capital Gains on issue of ORD shares (applicable only for NRIs)	3. Short term Capital Gains (on ORD shares sold; Trust to settle WHT liability, fractional entitlement)
Domestic Company	10%	0%	17.16% - 17.47% (<12m)
Resident Indian	10%	0%	17.94%
Non-Resident Indian	20.80%	11.96% (>12m); 42.74% (<12m)	17.94%
Foreign Portfolio Investor	20.80%	Not applicable	16.38% -17.94%
Mutual Fund / Insurance Co.	0%	0%	0%

Registered Valuer and Fairness Opinion

Valuation report by
Registered Valuer



Fairness Opinion
'A' ORD shares



Fairness Opinion
ORD shares



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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%

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

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

ORD Shareholders

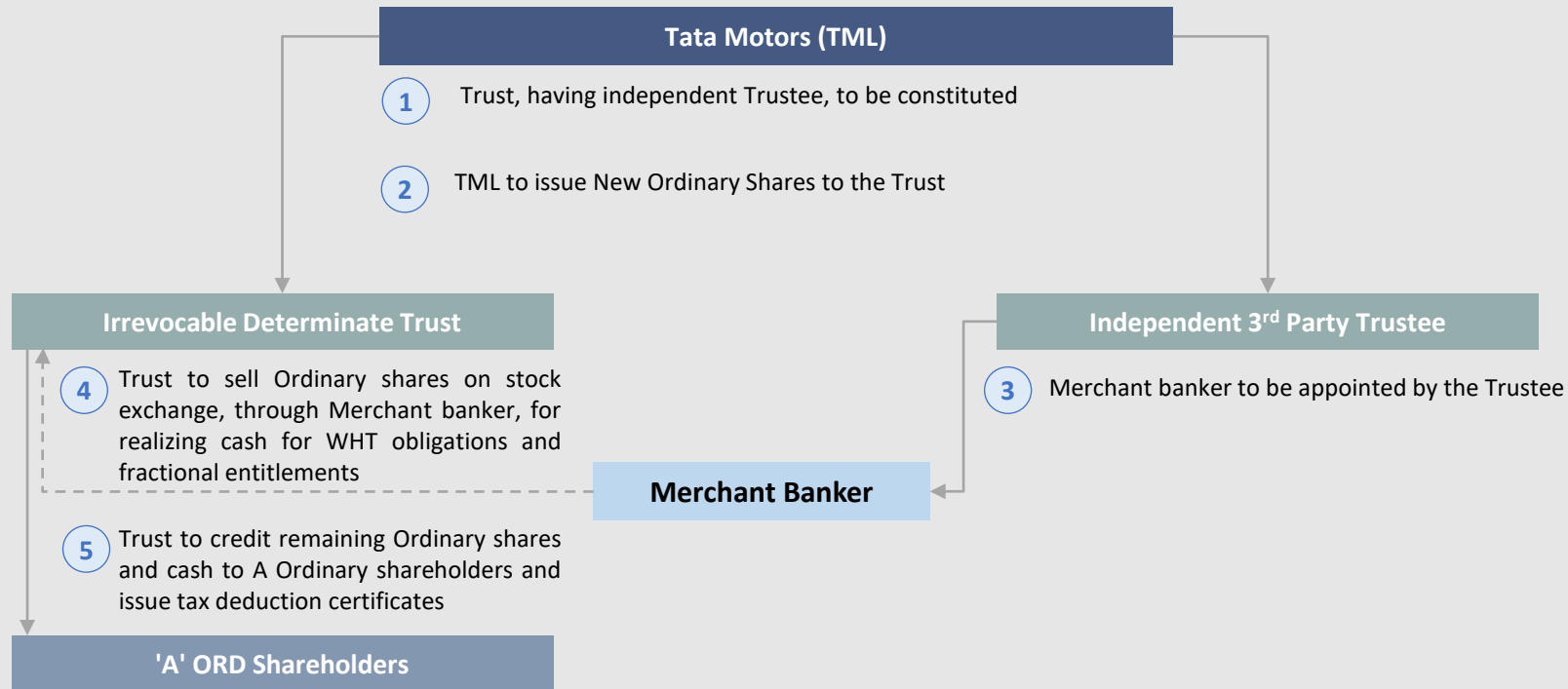
- EPS accretive by ~4%
- Economic rights are not affected
- Increases the free float of ORD shares by ~18%
- Enhances voting rights of public shareholders by 3.2%

Tata Motors

- Capital structure streamlined and preservation of liquidity
- Increase in market capitalization by removing discount on 'A' ORD shares
- Cash neutral transaction
- No impact on Net Debt

Implementation of Scheme Through a 'Trust'

An Independent Trust to be created to sell requisite ORD shares to operationalize the scheme and settle the applicable taxes. The net ORD shares and cash for fractional entitlement to be credited to the 'A' ORD holder's account



Trust Corpus

- Funded by TML

Trust Deed

- Steps, mechanics for operationalization, roles and responsibilities

Timeline for formation of Trust

- prior to "Effective Date" of the scheme

Consideration: TML will, as consideration for cancellation of 'A' Ord Shares, issue 7 fully paid-up ORD shares of TML of INR 2/- each for every 10 fully paid up 'A' ORD Shares of TML of INR 2/- each

The **consideration has been recommended by PwC Business Consulting Services** ("Registered Valuer") and supplemented with a Fairness Opinion by Citigroup on 'A' ORD shares and by Axis Capital ORD shares

Valuation **methodologies applied ascribe 2/3rd weightage to prices prevailing around the time of the announcement** of the transaction and 1/3rd to other approaches

Thank You