



REPORT ADOPTED BY THE BOARD OF DIRECTORS OF TATA CAPITAL FINANCIAL SERVICES LIMITED AT ITS MEETING HELD ON MARCH 28, 2023, EXPLAINING THE EFFECT OF THE SCHEME OF ARRANGEMENT FOR AMALGAMATION OF TATA CAPITAL FINANCIAL SERVICES LIMITED AND TATA CLEANTECH CAPITAL LIMITED WITH TATA CAPITAL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS, ON EACH CLASS OF SHAREHOLDERS (PROMOTERS AND NON-PROMOTER SHAREHOLDERS), KEY MANAGERIAL PERSONNEL, DEBENTURE HOLDERS, CREDITORS, EMPLOYEES AND DIRECTORS

A. Background:

1. The Board of Tata Capital Financial Services Limited (“**TCFSL**” or “**Transferor Company 1**” or “**Company**”) at its meeting held on March 28, 2023, approved the Scheme of Arrangement for amalgamation of the Company and Tata Cleantech Capital Limited (“**TCCL**” or “**Transferor Company 2**”) with Tata Capital Limited (“**TCL**” or “**Transferee Company**”) and their respective shareholders (“**Scheme**”), to be implemented under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 and the rules made thereunder (“**Act**”) and other applicable provisions, if any, of the Act.
2. Pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103, dated July 29, 2022, as amended from time to time and as per Section 232(2)(c) of the Act, a report from the Board of the Company explaining the effect of the Scheme on each class of shareholders (promoters and non-promoter shareholders), key managerial personnel (“**KMPs**”), debenture holders, creditors, employees and directors of the Company, setting out, among other things, the share exchange ratio, specifying any special valuation difficulties, is required to be adopted by the Board. Such report is then required to be appended with the notice of the meeting of shareholders and creditors if ordered by the jurisdictional National Company Law Tribunal.

Further, pursuant to the requirements of the SEBI Circular, the Board is required to also comment on impact of the scheme on the holder of Non-Convertible Debentures / Non Convertible Preference Shares, safeguards for the protection of the holders of NCDs / NCRPS and exit offer to the dissenting shareholders of NCDs / NCRPS, if any.

Accordingly, this report of the Board is prepared to comply with the aforesaid requirements.

TATA CAPITAL FINANCIAL SERVICES LIMITED

Corporate Identity Number U67100MH2010PLC210201

11th Floor Tower A Peninsula Business Park Ganpatrao Kadam Marg Lower Parel Mumbai 400 013

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3. While deliberating on the Scheme, the Board, inter-alia, considered and took on record the following documents:
 - (a) A draft of the proposed Scheme;
 - (b) Valuation report dated March 28, 2023, as issued by SSPA & Co., Chartered Accountants, Registered Valuers, as the Independent Registered Valuer, recommending that no shares of TCL will be issued to the shareholders of the Company pursuant to the Scheme as the Company is a wholly owned subsidiary of TCL;
 - (c) Valuation report dated March 28, 2023, as issued by SSPA & Co., Chartered Accountants, Registered Valuers with respect to the Non Convertible Debentures.
 - (d) Fairness Opinion dated March 28, 2023 issued by Fortress Capital Management Services Pvt. Ltd., Independent Merchant Banker, registered with SEBI on the valuation report as issued by the Registered Valuers;
 - (e) Fairness Opinion dated March 28, 2023 issued by Fortress Capital Management Services Pvt. Ltd., Independent Merchant Banker, registered with SEBI on the valuation report issued by the Registered Valuers with respect to the Non Convertible Debentures;
 - (f) Draft Auditor's certificate issued by Walker Chandiok & Co LLP, Chartered Accountants and M M Nissim & Co. LLP, Chartered Accountants, Joint Statutory Auditors of the Company ("**Accounting Treatment Certificate**"), to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act;
 - (g) Audit Committee's approval dated March 28, 2023, recommending the Scheme; and
 - (h) Other presentations, reports, documents and information pertaining to the draft Scheme made available or circulated to the Board.
4. The Scheme, amongst others, contemplates the following arrangements:
 - (a) Amalgamation of Transferor Company 1 and Transferor Company 2 with the Transferee Company in the manner set out in Part II of the Scheme.
 - (b) Reduction of securities premium of the Transferee Company after the amalgamation of the Undertaking in the manner set out in Part III of the Scheme.

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5. Rationale of the Scheme:

TCL, being a CIC, has four Indian subsidiary companies viz. TCFSL, Tata Capital Housing Finance Limited (“TCHFL”), TCCL and Tata Securities Limited (“TSL”). TCFSL, TCHFL and TCCL, are primarily engaged in the business of lending. TCFSL and TCCL are registered with RBI as a NBFC ND SI and TCHFL is registered with National Housing Bank as a Housing Finance Company. TSL is currently engaged in the business of distribution of Mutual Fund units in the capacity of an AMFI registered distributor. Each of the entities cater to distinct segments and offer different products. It is now proposed to consolidate the businesses of TCFSL and TCCL at the TCL level, for creation of a larger unified entity and, to that extent, reduce the number of registered non-banking financial companies (NBFCs) within the Tata Capital Group to achieve optimal and efficient utilization of capital; enhance operational and management efficiencies and have a simplified organizational structure.

Thus, the amalgamation of the Transferor Companies with the Transferee Company pursuant to this Scheme would, inter-alia, have the following benefits:

- i. Consolidation of businesses would help in achieving simplified organizational structure, improve operational and management efficiencies, streamline business operations and decision-making process and enable greater economies of scale;
- ii. Lead to the creation of a larger unified entity with a wider and stronger capital and asset base, having greater capacity for conducting its operations more efficiently and competitively;
- iii. Reduction in the number of NBFCs within the group, resulting in lesser overheads including administrative, managerial, and other expenditure, optimal utilization of resources, and provide a common governance structure;
- iv. Consolidation of the businesses carried on by them is strategic in nature and will generate significant business synergies thereby enhancing stakeholders’ value;
- v. The Transferor and Transferee Companies have a proven track record in the respective businesses of credit and consolidating those will lead to pooling of knowledge and expertise and align with the business plans which will enable the group to meet its long-term objectives;
- vi. Greater financial strength and flexibility for the Transferee Company.

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B. Effect of the Scheme on equity shareholders (promoter and non-promoter shareholders), Key Managerial Personnel, debenture holders, creditors, employees and Directors of the Company:

1. Effect on each class of shareholders (promoter and non-promoter shareholders):

Upon the Scheme coming into effect, all the shares of the Transferor Company 1 held by the Transferee Company (either directly or through nominees) shall stand cancelled without any further application, act or deed. It is clarified that no new share shall be issued or no payment or consideration shall be made by the Transferee Company in lieu of cancellation of such shares of the Transferor Company 1.

2. Effect on the KMPs and Directors of the Company:

The Scheme would not have any effect on the KMP's and Directors of the Company.

The KMPs and Directors of the Company and their respective relatives may be deemed to be concerned and / or interested in the Scheme only to the extent of their shareholding in the Company (if any), or to the extent the said KMPs / Directors are the partners, directors, members of the companies, firms, association of persons, body corporates and / or beneficiary of the trust that holds shares in the Company, as applicable.

3. Effect and impact on the holders of debentures and safeguards for the protection of the debenture holders:

There will not be any impact on the debenture holders of the Company pursuant to the Scheme. The current debenture holders will continue to be served by the Transferee Company.

Thus, the Scheme envisages that the holders of NCDs of TCFSL and TCCL will become holders of NCDs of TCL at exactly the same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, ISIN, respectively. Therefore, the Scheme will not have any adverse impact on the holders of the NCDs and thus adequately safeguards interests of the holders of the NCDs.

4. Exit offer to the dissenting holders of the debentures of the Company:

The same will be guided by the respective disclosure documents.

5. Effect on the creditors:

Under the Scheme, there is no arrangement with the creditors (secured or unsecured) of the Company. No compromise is offered under the Scheme to any of the creditors of the Company. The liability of the creditors of the Company, under the Scheme, is neither being reduced nor being extinguished.

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6. Effect on staff or employees:

Under the Scheme, no rights of the staff and employees of the Company are being affected. The services of the staff and employees of the Company shall continue on the same terms and conditions prior to the proposed Scheme in case of transfer of employees as part of the Scheme.

C. Conclusion

While deliberating the Scheme, the Board has considered its impact on each of the shareholders, (promoters and non-promoter shareholders), key managerial personnel, directors, debenture holders, creditors and employees. The Scheme is in the best interest of the shareholders (promoters and non-promoter shareholders), key managerial personnel, directors, debenture holders, creditors and employees of the Company and there shall be no prejudice caused to them in any manner by the Scheme.

By order of the Board

For **TATA CAPITAL FINANCIAL SERVICES LIMITED**

Sarosh Amaria
Managing Director
DIN: 08733676

Date: April 4, 2023

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