

REPORT ON
IN RELATION TO THE
THE SCHEME OF ARRANGEMENT
BETWEEN
TVS MOTOR COMPANY LIMITED
AND
ITS SHAREHOLDERS

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1. Glossary of Abbreviations

Abbreviation	Definition
Bonus RPS	Cumulative Non-Convertible Redeemable Preference Shares of TVSM proposed to be issued as Bonus shares
BSE	BSE Limited
CCM	Comparable Companies Multiple Method
ICAI	Institute of Chartered Accountants of India
IVS	ICAI Valuation Standards
NCD Holders	Holder of NCDs
NCDs	Non-Convertible Debentures
NSE	National Stock Exchange of India Limited
Scheme	Proposed Scheme of arrangement for issue of Bonus RPS under Section 230 to 232 of the Companies Act, 2013
SEBI Master Circular – Debt	SEBI Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated July 29, 2022, as amended from time to time
the Company	TVS Motor Company Limited
the Management	Management of TVS Motor Company Limited
this Report or our Report	Report
TVSM	TVS Motor Company Limited
Valuation Date	March 20, 2024



2. Background And Terms of Engagement

- 2.1 TVS Motor Company Limited (TVSM) (CIN: L35921TN1992PLC022845) is a company incorporated under the Companies Act, 1956 with its registered office at “Chaitanya” No. 12, Khader Nawaz Khan Road, Nungambakkam, Chennai 600 006. TVSM is a reputed two and three-wheeler manufacturer globally, championing progress through Sustainable Mobility with its four state-of-the-art manufacturing facilities in Hosur, Mysuru and Nalagarh in India and Karawang in Indonesia.
- 2.2 The Authorised Share Capital and Issued, Subscribed and Paid-up Share Capital of the Company as on December 31, 2023, based on the information provided by the Company was as follows:

Share Capital	Amount (Rs. in Crs)
Authorised	
50,00,00,000 Equity Shares of Re. 1 each	50.00
Total	50.00
Issued, subscribed and paid-up	
47,50,87,114 Equity Shares of Re. 1 each	47.51
Total	47.51

The aforesaid share capital is held as follows:

Particulars	Number of Shares	Percentage of shareholding
Promoter and Promoter Group	23,88,12,786	50.27%
Public	23,62,74,328	49.73%
Total	47,50,77,114	100.00%

Source: BSE filings

The equity shares of TVSM are listed on BSE and NSE.

- 2.3 The Company had issued NCDs which are listed on NSE. The details of the same as on the Valuation Date are as given below:

NCD description	Number of NCD and face value per NCD	Amount in INR crores
Unsecured		
Non Convertible Debentures - II End of Tenure 1 Mar 2026 [repo plus margin]	12,500 INR 1,00,000 per NCD	125

- 2.4 TVSM proposes to issue Non-Convertible Redeemable Preference Shares of TVSM (Bonus RPS) to its equity shareholders as bonus in the ratio of 4:1 vide a scheme of arrangement under Sections 230 to 232 of the Companies Act, 2013 (“Scheme”). The terms of Bonus RPS, as provided to us, are mentioned in Appendix I.



This report should be read with the limitations detailed herein under

2.5 Rationale for the issuance of Bonus RPS

- TVSM has built up substantial surplus reserves, over the years from its retained profits. The surplus reserves are well above TVSM's current and likely future business needs.
- Further, upon taking into consideration TVSM's capability to generate strong free cash flow in the foreseeable future and the surplus reserves being more than what is needed to fund TVSM's future growth, TVSM is of the view that these excess funds can be optimally utilized to reward its shareholders.
- Accordingly, TVSM has proposed, *inter alia*, to distribute such funds amongst its shareholders by issuing fully paid up non-convertible redeemable preference shares by way of bonus in terms of this Scheme.
- Non-convertible redeemable preference shares, will be a listed security and while giving near-cash (traded, encashable) instrument in the hands of shareholders, give increased flexibility to TVSM in managing its liquidity until redemption.
- In view of the aforesaid factors, TVSM has concluded that it can optimally utilize its surplus reserves by distributing a considerable portion of the same to the equity shareholders. In order to maintain high level of corporate governance and transparency, TVSM proposes issuance of preference shares by way of bonus under Sections 230 to 232 of the Act which will be subject to necessary statutory, regulatory and corporate approvals.

2.6 Accordingly, TVSM would issue 190.03 crores Bonus RPS redeemable at Rs 10 per share.

2.7 In this regard, we have been called upon by the Management of TVSM, vide Engagement Letter dated 14th March 2024 to provide our opinion with respect to the scheme of arrangement in terms of Master Circular dated July 29, 2022 on Non-convertible Securities, Securitized Debt Instruments and/ or Commercial Paper. Accordingly, this report sets out the findings of our exercise. For the purpose of our Report, we have considered the Valuation Date of March 20, 2024.



3. Data Obtained

3.1 We have called for and obtained such data, information, etc. as were necessary for the purpose of our assignment, which have been, as far as possible, made available to us by the Management. **Appendix B** hereto broadly summarises the data obtained.

3.2 For the purpose of our assignment, we have relied on such data summarised in the said Appendix and other related information and explanations provided to us in this regard.



4. Consideration of Factors

- 4.1 As mentioned earlier, pursuant to the Scheme, Bonus RPS would be issued to the shareholders of TVSM as on the Record date as specified in the Scheme. The ratio proposed for the issue of Bonus RPS is 4:1, i.e. 4 Bonus RPS shall be allotted for each equity share held in TVSM. Thus, only the shareholders of TVSM would be allotted Bonus RPS. Thus, there would be no change in shareholding of TVSM.
- 4.2 From the foregoing, it is evident that Bonus RPS would be issued to all the shareholders of TVSM on the Record Date. Accordingly, the question or aspect of adjusting the equities between two or more disparate groups of shareholders is not relevant in this case due to no impact on the shareholding of TVSM.
- 4.3 Further, the Management believes that the company is capable of generating strong free cash flow in the foreseeable future and the surplus reserves is more than what is needed to fund TVSM's future growth.
- 4.4 Insofar as the NCD Holders of TVSM are concerned, it may be noted that the Bonus RPS proposed to be issued would rank subservient to the NCDs in the priority of claims. Existing NCD holders of TVSM would continue to hold the same NCDs without any change in the terms.
- 4.5 As mentioned earlier the Bonus RPS would be issued out of the free reserves of TVSM. The free reserves and retained earnings of TVSM stood at INR 7,574 crores as on December 31, 2023. The amount outstanding towards NCDs as at December 31, 2023 stood at INR 125 crores. The redemption obligation of Bonus RPS proposed to be issued would be close to INR 1,900 crores. Accordingly, there is no economic impact of the proposed issue of Bonus RPS on the NCD holders of TVSM, since the retained earnings and free reserves of TVSM are sufficient to absorb redemption of Bonus RPS without affecting the NCDs.
- 4.6 It may be noted that the ICAI had issued IVS on June 10, 2018 effective for all the valuation reports issued on or after July 1, 2018. IVS are mandatory for all valuations done under the Companies Act, 2013 by registered valuers who are members of the ICAI Registered Valuer Organisation, and recommendatory for valuation carried out under other statutes/ requirements. However, as the current exercise does not entail valuation, the question of following IVS does not arise.



5. Conclusion

- 5.1 Based on the foregoing, in our opinion, the issuance of Bonus RPS to the equity shareholders of TVSM would have no impact on its NCD holders.
- 5.2 Considering that the scheme does not amount to an exchange of NCDs, we have not carried out any valuation of the same. Also, as stated in para 2.7 above we are only required to comment on the impact of the scheme on the NCD holders.

In the given scenario our observation on the various methods of valuation is as follows:

Valuation Approach	TVSM	
	Value per NCD	Weight
Asset Approach	X	A
Income Approach	X	B
Market Approach	X	C
Relative Value per NCD	X	
Exchange Ratio		Not Applicable



6. Limitations And Disclaimers

Our Report is subject to the scope of limitations detailed hereinafter.

- 6.1 This report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts.
- 6.2 The Report is based on the information furnished to us being complete and accurate in all material respects.
- 6.3 We have relied on the written representations from the Management that the information contained in this report is materially accurate and complete in the manner of its portrayal and therefore forms a reliable basis for the valuation.
- 6.4 The information presented in this Report does not reflect the outcome of any due diligence procedures.
- 6.5 Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any of the historical information used and therefore, we do not express any opinion with regard to the same.
- 6.6 Any person/ party intending to provide finance / deal in the shares / business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 6.7 Our recommendation is based on the regulatory environment that existed around the time of the Valuation Date.
- 6.8 We have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.
- 6.9 We have not carried out any physical verification of the assets and liabilities of company and take no responsibility for the identification of such assets and liabilities.
- 6.10 This Report does not look into the business/commercial reasons behind the proposed transaction nor the likely benefits arising out of it. Similarly, it does not address the relative merits of the proposed transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
- 6.11 This Report is meant for the purpose mentioned in Paragraph 2.7 and should not be used for any purpose other than the purpose mentioned therein. This Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.



6.12 Disclosure Of RV Interest or Conflict, If Any And Other Affirmative Statements

We do not have any financial interest in the Companies, nor do we have any conflict of interest in carrying out this valuation.



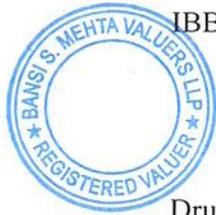
7. Gratitude

We are thankful to the Management for furnishing data, information, etc. often at a very short notice, without which our completing the present assignment would not have been possible.

For Bansi S. Mehta Valuers LLP

Registered Valuer

IBBI Registration Number: IBBI/RV-E/06/2022/172



Drushti R. Desai

Drushti R. Desai

IBBI Registration Number: IBBI/RV/06/2019/10666

Partner

Date: March 20, 2024

UDIN: 241020628KEUBT3858

APPENDIX – I: Terms of Bonus RPS

Terms of issue of the Non-Convertible Redeemable Preference Shares are as under:

Sr No	Particulars	Details
1.	Size of the Issue	Rs. 1,900.35 Cr
2.	Bonus Ratio	4:1 (4 Bonus RPS for every 1 equity share held)
3.	Face Value of Bonus RPS per share	Rs. 10/-
4.	Coupon Rate	6 % p.a.- payable at the time of redemption
5.	Redemption period	12 months from the date of allotment
6.	Listing on	NSE & BSE

APPENDIX – II: Broad Summary of Data Obtained

From the Management:

1. Limited Reviewed Financial Statements of the Company for the period ended December 31, 2023
2. Draft Scheme.
3. Proposed terms of Bonus RPS.
4. Answers to specific questions and issues raised by us to the Management after examining the foregoing data.
5. Other information as required by us from time to time.



9th April 2024

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.
Scrip code: 532343

Dear Sir(s)/ Madam,

Reg : Confirmation from the Listed Entity

We hereby confirm that:

- a) No material event impacting the valuation has occurred during the intervening period of filing the scheme documents with Stock Exchange and period under consideration for valuation; and
- b) the Company has fulfilled all its listed debt obligations and there are no defaults. Therefore, the question of past defaults of listed debt obligations of the entities forming part of the scheme does not arise.

Kindly take the same on record.

Thanking you,

For **TVS Motor Company Limited**



K S Srinivasan
Company Secretary