TVS MOTOR COMPANY
TVS Motor Company Limited, Registered Office : "Chaitanya" No.12, Khader Nawaz Khan Road, Chennai - 600006, Tamilnadu, India. Telephone : +91-44-28332115 Fax : +91-44-28332113

REPORT OF THE AUDIT COMMITTEE OF TVS MOTOR COMPANY LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST TVS MOTOR SERVICES LIMITED AND TVS MOTOR COMPANY LIMITED AND HARITA ARC LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS HELD ON WEDNESDAY, 28TH OCTOBER 2026

The following members of the Audit Committee were present:

1. Mr Shailesh Haribhakti, Chairman
2. Mr K N Radhakrishnan, Member
3. Ms Kalpana Unadkat, Member

By invitation:

1. Mr K Gopala Desikan, Chief Financial Officer
2. Mr G Parthasarathy, Executive Vice President – Finance
3. Ms S Usha, Partner, M/s Sundaram & Srinivasan, Chartered Accountants

In attendance:

1. Mr K S Srinivasan, Company Secretary

Mr Shailesh Haribhakti, Chairman of the Audit Committee

1. Background

1.1. A meeting of the Audit Committee of TVS Motor Company Limited ("**Company**" or "**Transferee Company**" or "**Demerged Company**") was held on 28th October 2026 to, *inter alia*, consider and recommend the draft Composite Scheme of Arrangement amongst TVS Motor Services Limited ("**Transferor Company**") and the Company and Harita ARC Limited ("**Resulting Company**") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").

1.2. The equity shares of the Company are listed on the BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**") ("**Stock Exchanges**"). The non-convertible debentures ("**NCDs**") of the Company are listed on NSE.

1.3. The Scheme under Sections 230 to 232 and other applicable provisions of the Act provides for the following and various other matters consequent and incidental thereto:

1.3.1 amalgamation of the Transferor Company with the Company;

1.3.2 demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Company into the Resulting Company on a *going concern* basis and issue of shares by the Resulting Company to the shareholders of the Company, in consideration thereof; and

1.3.3 reduction and cancellation of the entire paid-up share capital of the Resulting Company as on the Effective Date (*as defined in the Scheme*).

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1.4. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ("**SEBI**") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("**SEBI Master Circular**"), including amendments thereto.

1.5. The following documents were, *inter alia*, placed before the Audit Committee:

(a) Draft Scheme;

(b) Share Entitlement Ratio Report dated 28th October 2026 issued by M/s. Bansi S. Mehta Valuers LLP, (IBBI Registration Number: IBBI/RV-E/06/2022/172), Registered Valuer ("**Registered Valuer**") ("**Share Entitlement Ratio Report**") in connection with the proposed Scheme;

(c) Fairness Opinion dated 28th October 2026 issued by M/s. JM Financial Limited (SEBI Merchant Registration No.: INM 000010361) an Independent SEBI registered Merchant Banker of the Company ("**Merchant Banker**") on the fairness of the share entitlement ratio determined under the Share Entitlement Ratio Report in connection with the proposed Scheme ("**Fairness Opinion**");

(d) Certificate dated 28th October 2026 issued by M/s Sundaram and Srinivasan, Chartered Accountants (ICAI Firm Registration No: 004207S) Statutory Auditor of the Company ("**Statutory Auditor**"), confirming that the accounting treatment in the prescribed manner in the Scheme is in compliance with the accounting standards prescribed under Section 133 of the Act and other generally accepted accounting principles, and payment/ repayment capability in relation to the listed NCDs of the Company; and

(e) Certificate of the Statutory Auditor of the Company certifying the undertaking clearly stating the reasons for the non-applicability of requirements stated in Paragraph A.10(b) read with Paragraph A.10(a) of Part I of the SEBI Master Circular..

2. Proposed Scheme

2.1. **Need for the Scheme, rationale and synergies of business of the companies involved in the Scheme**

The rationale for the proposed Scheme is as under:

(i) With a view to streamlining the group corporate structure and consolidating assets and liabilities, leading to synergies of operations and aligned operations within a single entity, it is proposed to amalgamate the Transferor Company with and into the Transferee Company;

(ii) Further, the demerger will simplify the group structure and create focused businesses, with a clear segregation of the Demerged Undertaking and the Remaining Business. This will allow the Demerged

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Company and the Resulting Company to operate as independent, standalone platforms, each concentrating on its own core activities, growth strategy and commercial objectives;

(iii) The consumer finance and related business needs a separate strategy suited to its industry-specific risks, market dynamics and growth path;

(iv) The nature of, and competition in, the consumer finance and related business differ from those of the other businesses; and

(v) The demerger of the consumer finance and related business will result in the following benefits:

(a) unlocking the value of the Demerged Undertaking for the shareholders of the Demerged Company;
(b) creation of an independent company focusing exclusively on consumer finance and related business and exploring opportunities in the said sector;
(c) the independent company can attract different sets of investors, strategic partners, lenders and other stakeholders having a specific interest in the consumer finance and related business; and
(d) a financial services company can have a higher leverage (as compared to the Demerged Company) for its growth.

The Scheme is in the interests of all Parties involved and their respective stakeholders.

2.2. **Synergies of business of the companies involved in the Scheme**

(a) The Transferor Company was incorporated for carrying on the business of buying, selling, leasing, servicing and dealing in automobiles, automotive products, spare parts, components, accessories and allied equipment, including related fuels and lubricants. Additionally, it provides repair, maintenance and other support services for various classes of vehicles and automotive machinery.

(b) The Company 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;

(c) The Resulting Company is, *inter alia*, engaged in the financial services business; and

(d) Upon the effectiveness of the Scheme, the benefits as stated in Paragraph 2.1 above shall be derived by the Company.

2.3. **Impact of the Scheme on the Company and its shareholders**

2.3.1 For amalgamation of the Transferor Company with the Company

(a) Since the Transferor Company is a wholly owned subsidiary of the Company, upon the Scheme becoming effective, the shares held by the

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Company in the Transferor Company will stand cancelled and no consideration shall be issued by the Company.

(b) The rights and interests of the shareholders of the Company will not be prejudicially affected by the Scheme, and there will be no change in the economic interest of the shareholders of the Company, before and after the Scheme.

(c) Upon the Scheme becoming effective, the Transferor Company shall be dissolved without being wound up. The Scheme is expected to be beneficial to the Company, leading to opportunities for growth and value creation in the long run and maximizing the value and returns to the shareholders, achieving cost and operational efficiencies.

2.3.2 <u>For demerger of the Demerged Undertaking from the Company into the Resulting Company</u>

(a) In terms of the Scheme, the entire paid-up share capital of the Resulting Company to the extent held by the Company along with its nominees will stand reduced and cancelled.

(b) In terms of the Scheme, the Resulting Company shall issue and allot shares of the Resulting Company, on a proportionate basis to shareholders of the Company, whose names are recorded in the register of members and/ or records of the depository as on the Record Date (*as defined in the Scheme*).

(c) There will be no change in the economic interest of the shareholders of the Company, before and after the Scheme. Further, once the Scheme is effective, the Resulting Company will have replica/mirror shareholding of the Company.

(d) After the effectiveness of the Scheme and subject to receipt of regulatory approvals, the shares of the Resulting Company issued as consideration pursuant to the Scheme, shall be listed on the Stock Exchanges.

(e) Considering the overall rationale and benefit of the Scheme, the Audit Committee is of the view that the Scheme is in the best interests of all stakeholders, including the shareholders of the Company, and no shareholder is expected to have disproportionate advantage or disadvantage in any manner. Further, the Scheme will not adversely affect the rights or interests of any shareholder of the Company.

2.4 <u>Impact of the Scheme on the NCDs, safeguards for the protection of the NCD holders and exit offer to NCD holders</u>

2.4.1 Pursuant to this Scheme, there will be no change in the terms and conditions of the NCDs of the Company.

2.4.2 Pursuant to the Scheme, the NCD holders of the Company as on the Effective Date will continue to hold NCDs of the Company, without any interruption, on the same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, ISIN, etc.

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2.4.3 Upon the Scheme becoming effective, the listed NCDs will continue to be freely tradable and listed on NSE, thereby providing liquidity to the holders of the NCDs and accordingly, no exit offer is required to be provided to holders of NCDs of the Company. Accordingly, the Scheme will not have any adverse impact on the holders of the NCDs of the Company.

2.4.4 A certificate dated 28th October 2026 from M/s Sundaram and Srinivasan, Chartered Accountants (ICAI Firm Registration No: 004207S), Statutory Auditor of the Company, confirming that the accounting treatment in the prescribed manner in the Scheme is in compliance with the accounting standards prescribed under Section 133 of the Act and other generally accepted accounting principles, and payment/ repayment capability in relation to the listed NCDs of the Company, has been obtained.

2.5 Cost benefit analysis of the Scheme

Although the Scheme involves certain costs such as transaction costs, implementation costs, regulatory fee, stamp duties, etc. however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company entailing the benefits specified in Paragraph 2.1 above.

3. Recommendation of the Audit Committee

The Audit Committee after due deliberations and detailed discussions, and *inter alia* taking into consideration the draft Scheme, the Share Entitlement Ratio Report, and the Fairness Opinion, has noted the need for the Scheme, the rationale and synergies of business of the companies involved in the Scheme, benefits and the impact of the Scheme on shareholders and the NCD holders. Based on the foregoing, the Audit Committee is of the informed opinion that the Scheme is not detrimental to the interests of the shareholders and NCD holders of the Company and hereby recommends the draft Scheme for the favorable consideration and approval by the Board of Directors of the Company.

By Order of the Audit Committee

For and on Behalf of TVS Motor Company Limited





Shailesh Haribhakti
Chairman of Audit Committee
DIN: 00007347

Place: Mumbai
Date: 28th October 2026