

Privileged & Confidential

Tata Motors Limited

Report on Arm's Length Nature of Related Party
Transactions with Tata Cummins Private Limited
For Shareholders' Approval – May 2026



d h r u v a

A Ryan LLC Affiliate

Table of Contents

DISCLAIMER	3
ABBREVIATIONS AND ACRONYMS	4
1. EXECUTIVE SUMMARY	5
1.1 Introduction and Scope	5
1.2 Transactions with TCPL	6
1.3 Key Takeaways and Transactional Highlights.....	7
1.4 Summary of ALP Analysis.....	8
1.5 Report Overview.....	10
2. INTRODUCTION AND REGULATORY FRAMEWORK	11
2.1 Framework under the Companies Act, 2013.....	11
2.2 Additional Requirements under SEBI LODR	11
2.3 Concept of ‘ordinary course of business’:	13
2.4 Concept of ‘arm’s length’:.....	13
2.5 Relationship between TML and TCPL	14
2.6 Description of Proposed Transaction with TCPL.....	15
2.6.1 Purchase of Engines, Engine Parts and Components	15
2.6.2 Sale of parts and components	15
2.6.3 Rendering of Central Function Services	15
2.6.4 Availing of testing services.....	16
3. DETERMINATION OF ARM’S LENGTH BASIS AND ORDINARY COURSE OF BUSINESS FOR TRANSACTION WITH TCPL	17
3.1 Ordinary Course of Business – Analysis.....	17
3.2 Arm's Length Analysis — Overall Approach	17
3.2.2 Selection of TCPL as the Tested Party	18
3.3 Inherent Third-Party Safeguard Arising from the Joint Venture Structure	20
3.4 Benchmarking Approach and Summary of Results.....	20
4. CONCLUDING OBSERVATIONS	22

Disclaimer

This Report has been prepared by Dhruva Advisors India Private Limited ("Dhruva" or "the Firm") at the request of Tata Motors Limited ("TML" or "the Company") solely for the purpose set out herein, namely, to provide an independent expert opinion on the arm's length nature, fairness and appropriateness of certain proposed related party transactions between TML and Tata Cummins Private Limited ("TCPL") for Financial Year 2026-27, and for onward reference of the Audit Committee, the Board of Directors and the shareholders of the Company in connection with the approvals to be sought under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

The observations and conclusions set out in this Report are based on the information, documents, data, explanations and representations made available to us by TML, publicly available information and databases consulted for benchmarking purposes, and such industry and regulatory guidance as we have considered relevant. While reasonable care has been exercised in the preparation of this Report, Dhruva has relied upon the accuracy, completeness and authenticity of the information furnished by TML and has not undertaken an independent verification of such information. Nothing in this Report should be construed as an audit or an assurance engagement, a tax opinion, a legal opinion or a recommendation to any person to vote or act in any particular manner.

The analysis and opinions expressed in this Report are valid as on the date of this Report and are based on the legal and regulatory framework prevailing on such date. Any subsequent changes in facts, circumstances, applicable laws, regulations, or interpretation thereof may require the conclusions drawn herein to be revisited. Dhruva assumes no obligation to update this Report for events or circumstances occurring after its date.

This Report has been prepared in compliance with the confidentiality obligations imposed on the Company, and consciously does not include any unpublished price sensitive information, trade secrets or any other commercially sensitive information that could prejudice the competitive position of the Company or of TCPL. Accordingly, certain information has been presented at an appropriately aggregated level.

This Report may not, in whole or in part, be quoted, referred to, disclosed, reproduced, circulated or distributed to, or used or relied upon by, any person or entity other than the intended recipients, without the prior written consent of Dhruva, save and except for the limited purposes of statutory and regulatory filings and disclosures required to be made by the Company in connection with the shareholders' approval process.

Abbreviations and Acronyms

The following abbreviations and acronyms have been used throughout this Report and should be read accordingly:

Abbreviation	Expansion
AE	Associated Enterprise
ALP	Arm's Length Price
AC	Audit Committee
BSE	BSE Limited
CUP	Comparable Uncontrolled Price Method
Dhruva	Dhruva Advisors India Private Limited
TCPL	Tata Cummins Private Limited
FY	Financial Year (01 April to 31 March)
ID	Independent Director
INR	Indian Rupees
JV	Joint Venture
JVA	Joint Venture Agreement entered into between Tata Motors Limited and Cummins Engine Company, USA
KMP	Key Managerial Personnel
MoA	Memorandum of Association
NSE	National Stock Exchange of India Limited
OC	Operating Costs
OE	Original Equipment
OECD TP Guidelines	OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, 2022
OP	Operating Profit
PLI	Profit Level Indicator
RPT	Related Party Transaction
SEBI	Securities and Exchange Board of India
SEBI LODR	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
Cummins	Cummins Inc., the parent of Cummins Engine Company (the joint venture partner of TML in TCPL)
TML	Tata Motors Limited (Formerly TML Commercial Vehicles Limited)
TNMM	Transactional Net Margin Method
TP	Transfer Pricing
the Act	Companies Act, 2013
UN TP Manual	United Nations Practical Manual on Transfer Pricing for Developing Countries

1. Executive Summary

1.1 Introduction and Scope

The Tata Motors group, with its origins in 1945, is engaged in the design, manufacture, assembly and sale of a wide range of automotive vehicles, including passenger cars, utility vehicles, commercial vehicles, buses and trucks. The group has, over successive decades, established itself as a leading global automotive manufacturer with a growing portfolio of smart mobility solutions, electric vehicles and advanced powertrain technologies. In addition to vehicles, the group also manufactures engines for industrial applications, automotive aggregates such as axles and transmissions, and offers a range of information technology and factory automation services to customers in India and globally.

Tata Motors Limited ("TML" or "the Company") is a public limited company incorporated under the laws of India in 2024, originally as TML Commercial Vehicles Limited. Pursuant to a Composite Scheme of Arrangement sanctioned by the Hon'ble National Company Law Tribunal, the commercial vehicles undertaking of the erstwhile Tata Motors Limited (now reorganised as Tata Motors Passenger Vehicles Limited) was demerged to the Company on a going concern basis with effect from October 01, 2025, with appointed date of July 01, 2025, following which the Company was renamed "Tata Motors Limited". As on the date of this Report, TML operates as the Tata Group's listed commercial vehicles entity, manufacturing trucks, vans and buses, and its equity shares are listed on the BSE Limited and the National Stock Exchange of India Limited. The Company is headquartered in Mumbai, Maharashtra.

Section 188 of the Companies Act, 2013 ("the Act") provides that transactions with related parties which are undertaken on an arm's length basis and in the ordinary course of business are exempted from the obligation of obtaining prior approval of shareholders. However, with effect from 01 April 2022, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") mandates prior approval of shareholders through an ordinary resolution for all 'material' related party transactions ("RPTs"), irrespective of whether such transactions are in the ordinary course of business and at arm's length. Pursuant to the industry standards notified in June 2025 and made effective from 01 September 2025, the earlier framework has been substituted with a structured, tiered disclosure format comprising Part A (mandatory for all RPTs), Part B (additional disclosures for seven specified transaction categories) and Part C (additional disclosures applicable only to material RPTs).

For the purpose of the SEBI LODR, a transaction with a related party is considered 'material' where such transaction, whether to be entered into individually or taken together with prior transactions during a financial year, exceeds the threshold prescribed for the listed entity based on its annual consolidated turnover, as summarised below:

Table 1: Materiality thresholds for related party transactions under the SEBI LODR

Annual Consolidated Turnover of Listed Entity	Revised Materiality Threshold
Up to ₹20,000 crore	10% of consolidated turnover
₹20,001–₹40,000 crore	INR 2,000 crore + 5% of excess turnover over INR 20,000 crore
Above ₹40,000 crore	INR 3,000 crore + 2.5% of excess turnover over INR 40,000 crore (capped at INR 5,000 crore)

Given the scale and nature of the proposed transactions between TML and Tata Cummins Private Limited ("TCPL") for FY 2026-27, the aggregate quantum of such transactions is expected to exceed the materiality threshold prescribed under the SEBI LODR. Accordingly, the Company is required to obtain the prior approval of its shareholders by way of an ordinary resolution for entering into the said transactions.

In accordance with its internal governance framework, and recognising that the regulator has not prescribed a specific methodology or format for establishing the arm's length nature of material RPTs, the Company has, out of abundant caution and as a matter of good governance, commissioned an independent expert opinion to corroborate the arm's length and ordinary course character of the proposed transactions.

In this context, Dhruva Advisors India Private Limited ("Dhruva" or "the Firm") has been appointed as the independent expert to review the proposed transactions between TML and TCPL for FY 2026-27 and to provide its professional opinion on whether such transactions can be considered to have been undertaken on an arm's length basis and in the ordinary course of business from the standpoint of the Act and the SEBI LODR. The scope of our engagement also extends to commenting on the fairness and appropriateness of such transactions and whether, in our view, they are in the interest of the listed entity and its shareholders at large.

The analysis, observations and conclusions set out in this Report have been arrived at based on the documents, data, explanations and representations made available to us by the Company, publicly available information, industry databases and benchmarking information consulted by us, and the applicable legal and regulatory framework as on the date of this Report.

1.2 Transactions with TCPL

TCPL is a joint venture entity established in furtherance of the Joint Venture Agreement entered into in the early 1990s between the Company (acting through its commercial vehicles undertaking) and Cummins Engine Company, USA. TCPL operates as a joint venture under the joint control of TML and the Cummins group, and is engaged principally in the manufacture and supply of engines, engine parts and components at its manufacturing facility situated at Jamshedpur, Jharkhand and Phaltan, Maharashtra. Under the prevailing commercial framework between the joint venture partners, TCPL presently operates as a contract manufacturer supplying mid-range B&L series

engines (in the range of 75 to 400 HP) and engine components principally to TML for use in its commercial vehicle platforms, with the balance approximately 10% of TCPL's production capacity being supplied to Cummins India Limited.

TML proposes to undertake certain operating categories of related party transactions with TCPL during FY 2026-27 amounting to **Rs. 8,940 Crores**, which are continuous in nature and have been consistently undertaken since the establishment of the joint venture. The operating categories of related party transactions shall primarily be purchase of engines (including 6BT BSII / BSIII engines, ISLe (8.9L) and L8.9 mechanical engines), engine parts and components. The operating transaction would also include ancillary transactions like the sale of parts/ components, rendering / availing services that arise in relation to the primary transactions.

1.3 Key Takeaways and Transactional Highlights

Before setting out the detailed analysis, we have summarised below the principal takeaways from our review, which we understand will serve as a ready reference for the Audit Committee, the Board of Directors, the Independent Directors and the shareholders of the Company:

- **Long-standing, recurring commercial arrangement:** The proposed transactions are not isolated, one-off dealings but form part of a continuing commercial relationship that was originally constituted through the long-standing 50:50 joint venture arrangement between Tata Motors Limited and Cummins Engine Company, USA and continued in operation since its inception. TML (formerly known as TML Commercial Vehicles Limited) has, year after year since inception of the joint venture, undertaken substantially the same categories of transactions with TCPL in the ordinary and normal course of conducting its commercial vehicles business.
- **Arm's length pricing validated at the level of the tested party:** Consistent with the transfer pricing studies undertaken year after year, TCPL has been selected as the tested party in view of it being the less complex of the two related parties, performing routine contract manufacturing functions and being remunerated on a full manufacturing cost plus mark-up basis. The operating mark-up earned by TCPL for FY 2025-26, on a weighted-average basis across FY 2022-23 to FY 2024-25, falls squarely within the arm's length range derived from independent comparable companies operating in the automotive components and contract manufacturing space.
- **Third-party safeguard inherent in the joint venture structure:** TCPL is a joint venture in which an unrelated third party, namely the Cummins group, holds an equal stake and participates meaningfully in the governance and commercial decisions of the entity. The pricing, volumes, credit periods and other commercial terms governing the supplies by TCPL to TML are the product of negotiations in which the third-party joint venture partner is actively involved and whose economic interests are closely aligned with ensuring that TCPL is compensated on terms that are commercially fair. This independent counter-party involvement provides an inherent and powerful safeguard that the commercial arrangements are concluded on an arm's length basis.
- **Pricing mechanism transparent and contractually codified:** The pricing is governed by a well-established commercial formula appropriate to a contract manufacturing

arrangement of this nature, namely, full manufacturing cost plus an agreed mark-up. The pricing mechanism has remained materially consistent over the years and is reviewed periodically by the joint venture partners.

- **Continuity of supply and business criticality:** The Jamshedpur and Phaltan facility operated by TCPL constitutes a critical manufacturing node in TML's supply chain for certain commercial vehicle platforms and powertrains. Any disruption to this arrangement would adversely affect TML's ability to service end-customer demand, meet dealer commitments and sustain its market position. The continuity of the arrangement is therefore squarely in the interest of the Company and its shareholders.
- **Protection of minority shareholder interests:** The aggregated benchmarking outcome (set out in Section 1.4 and further elaborated in Section 3) confirms that the commercial terms of the proposed transactions are comparable to those that independent enterprises operating in similar circumstances would agree upon. Correspondingly, the pricing, financial arrangements and other commercial terms protect the interests of minority shareholders in the manner contemplated by the Act and the SEBI LODR.

1.4 Summary of ALP Analysis

Given the continuous and intrinsically interlinked nature of the transaction streams between TML and TCPL, which collectively form part of an integrated long-term manufacturing arrangement, we have, consistent with the approach endorsed in paragraphs 3.9 to 3.12 of the OECD TP Guidelines, evaluated these transactions on an aggregated basis at the level of TCPL as the tested party. The benchmarking analysis has been undertaken using the Transactional Net Margin Method, with the Profit Level Indicator being the ratio of Operating Profit to Operating Costs (OP/OC). A concise summary of our conclusions is tabulated below, with the detailed approach and corroborative analysis set out in Section 3 of the Report:

Table 3: Summary of arm's length analysis for transactions with TCPL

Transaction stream	Transfer pricing policy	Arm's length range (OP/OC, FY 23-25 weighted average)	Conclusion
Operating transactions primarily including purchase of engines, parts and components along with ancillary transactions like sale of parts/ components and rendering/ availing services	Full manufacturing cost <i>(including all operating related party transactions with TML)</i> + mark-up TCPL's mark-up on operating costs for FY 2025-26 is within arm's length range and is expected to remain within the arm's length range for FY 2026-27 and shall meet the arm's length price.	25th percentile: 4.08% Median: 8.17% 75th percentile: 11.13%	As TCPL's profit mark-up falls within the arm's length range, the arrangement shall meet the arm's length price.

On the basis of our independent review, we are of the considered view that the proposed operating transactions between TML and TCPL for FY 2026-27, taken both individually and in the aggregate, are undertaken in the ordinary course of business, confirm to the arm's length principle and are fair, appropriate and in the interest of the Company and its shareholders, including the minority public shareholders.

1.5 Report Overview

The remainder of this Report is organised into the following sections, each of which elaborates on a specific aspect of the analysis summarised above:

- **Section 2 — Introduction and Regulatory Framework:** sets out the applicable framework under the Act and the SEBI LODR, elaborates on the concepts of 'ordinary course of business' and 'arm's length', describes the relationship between TML and TCPL and provides a commercial overview of each proposed transaction stream.
- **Section 3 — Determination of Arm's Length Basis and Ordinary Course of Business:** sets out the analytical framework applied to arrive at our conclusions, including the rationale for aggregation of the transaction streams, the selection of TCPL as the tested party, the most appropriate method adopted and a summary of the benchmarking approach and its outcome.
- **Section 4 — Concluding Observations:** sets out our overall conclusions on the fairness, appropriateness and arm's length nature of the proposed transactions and the related implications from the standpoint of the interests of the shareholders of the Company.

2. Introduction and Regulatory Framework

2.1 Framework under the Companies Act, 2013

The Companies Act, 2013 lays down the foundational framework for the identification, approval and disclosure of related party transactions. Section 2(76) of the Act defines 'related party' in expansive terms to cover, inter alia, directors, key managerial personnel and their relatives, firms and private companies in which any such director or manager is a partner / member / director, public companies in which a director or manager holds (along with his relatives) more than 2% of the paid-up share capital, holding, subsidiary and associate companies, and fellow subsidiaries. A joint venture of the company also falls within the ambit of the definition.

Section 188 of the Act, read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, regulates the manner in which a company may enter into specified transactions with its related parties. Such specified transactions include the sale, purchase or supply of goods or materials, selling or otherwise disposing of, or buying, property of any kind, leasing of property of any kind, availing or rendering of any services, appointment of an agent for the above activities, appointment of related parties to any office or place of profit, and underwriting the subscription of securities or derivatives of the company. A fundamental carve-out is, however, contained in the second proviso to sub-section (1) of Section 188, which exempts transactions entered into by the company in its ordinary course of business and on an arm's length basis from the approval requirements contemplated by that section.

The practical effect of the above framework is that where specified transactions with a related party are both (i) in the ordinary course of business and (ii) on an arm's length basis, the company is not required to obtain Board or shareholder approval under the Act, though such transactions continue to require prior approval of the Audit Committee and appropriate disclosures under other provisions of the Act and the SEBI LODR. Where either of these two conditions is not satisfied, the transactions become subject to the approval thresholds and procedures prescribed under Section 188. The evaluation mechanism under the Act is depicted schematically in the flowchart that accompanies this Section.

2.2 Additional Requirements under SEBI LODR

In addition to the Companies Act framework, listed entities such as TML are required to comply with the more stringent provisions of Regulation 23 of the SEBI LODR. The SEBI LODR adopts a definition of 'related party' that is aligned with, but broader than, the definition under the Act. In particular, the SEBI LODR treats as a related party any person or entity belonging to the promoter or promoter group of the listed entity, as well as any person or entity holding 20% or more of the equity shares, or 10% or more on a beneficial interest basis, in the listed entity during the immediately preceding financial year. This expanded scope is specifically designed to ensure that significant shareholders and promoter-linked entities, whose influence over the listed entity may not always be captured by the definition under the Act, are nevertheless brought within the related party net for listed company disclosures and approvals.

With effect from 01 April 2022, and more recently pursuant to the industry standards notified in June 2025 and made effective from 01 September 2025, the SEBI LODR has substantially strengthened the approval and disclosure architecture for RPTs undertaken by listed entities. Under the revised framework, prior approval of the Audit Committee is required for all RPTs and all material modifications to subsisting RPTs. Further, with effect from 01 April 2023, prior approval of the Audit Committee of the listed entity is also required for RPTs entered into by a subsidiary of the listed entity, even where the listed entity is itself not a party to such transaction, subject to the transaction exceeding 10% of the annual turnover of the subsidiary on a standalone basis.

In respect of material RPTs, defined with reference to the tiered turnover-linked thresholds set out in Section 1.1 above, the listed entity is required to obtain the prior approval of its shareholders by way of an ordinary resolution. Materiality is assessed on a cumulative basis for each financial year, taking into account all transactions with the related party in question, whether entered into individually or taken together, and regardless of whether such transactions are in the ordinary course of business and at arm's length. Consequently, the exemption carved out in the second proviso to Section 188(1) of the Act is not available for the purposes of the shareholder approval requirement under the SEBI LODR.

The industry standards effective from 01 September 2025 have introduced a structured, tiered disclosure format for all RPT approvals. The disclosure requirements are graduated with reference to the value of the transaction, in the manner indicated below:

Table 4: Tiered disclosure requirements under the SEBI LODR industry standards

RPT amount (individually or cumulatively in the FY)*	Applicable disclosure requirement
Less than INR 1 crore	No minimum information requirement
INR 1 crore up to INR 10 crore or 1% of annual consolidated turnover (whichever is less)	Minimum Information Standard for the Audit Committee
INR 1 crore up to INR 10 crore or 1% of annual consolidated turnover (whichever is less) — where shareholder approval is required	Minimum Information Standard for Shareholders
More than INR 10 crore	Part A (applicable to all), Part B (transaction-specific disclosures, where applicable) and Part C (additional disclosures applicable to material RPTs only)

**Individually or together with earlier transactions with the same related party during the same financial year.*

The SEBI LODR further requires every listed entity to formulate a policy on the materiality of RPTs, including clearly stated threshold limits, which is to be approved by the Board of Directors and

reviewed at least once every three years. TML has in place a comprehensive policy on RPTs, in accordance with the foregoing regulatory requirements, that governs the identification, approval, monitoring and disclosure of all RPTs undertaken by the Company.

2.3 Concept of 'ordinary course of business':

The expression 'ordinary course of business' is not defined in either the Act or the rules framed thereunder, and as such, no prescriptive statutory test exists for determining whether a particular transaction has been entered into in the ordinary course of business. In practice, the assessment is made having regard to a combination of factors, drawing upon commercial, legal and accounting principles. The object clause contained in the Memorandum of Association of the company is often the first point of reference, as it delineates the activities which the company has been authorised to carry on. However, reference to the object clause alone is not conclusive, and the assessment must extend to the substance and commercial purpose of the transaction, its frequency, size and volume, the manner in which similar transactions have historically been undertaken by the company, and whether such transactions are consistent with the typical commercial conduct of an entity operating in the same industry.

Judicial and regulatory guidance has broadly endorsed the view that a transaction which recurs frequently over a period of time, and which is naturally incidental to the pursuit of the company's main line of business, is likely to be regarded as having been undertaken in the ordinary course of business. At the same time, the absence of frequency or the bespoke nature of a particular transaction does not, by itself, render the transaction extraordinary, provided the transaction is otherwise consistent with the commercial rationale and business purpose of the company.

In keeping with the above principles, the Audit Committee of the listed entity is expected to evaluate each transaction in accordance with the Company's approved RPT policy, which typically prescribes the parameters to be applied in assessing whether a transaction is in the ordinary course of business. Companies may also adopt specific guidelines, duly approved by the Audit Committee and the Board of Directors, for the characterisation of recurring transactions, and transactions falling within the scope of such guidelines may be covered by omnibus approvals granted by the Audit Committee, subject to compliance with the applicable regulatory requirements.

2.4 Concept of 'arm's length':

The Act and the rules framed thereunder do not prescribe any specific methodology for benchmarking or determining the arm's length price of transactions between related parties. In the absence of such domestic guidance, it is well-accepted practice, both in India and internationally, to draw upon the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (in their most recent 2022 edition, the "OECD TP Guidelines") and the United Nations Practical Manual on Transfer Pricing for Developing Countries (the "UN TP Manual"), which together provide a comprehensive analytical framework for the evaluation of intercompany pricing arrangements. The OECD TP Guidelines articulate the cornerstone principle that the prices set for transactions between associated enterprises should be such as would have been agreed between independent enterprises under comparable circumstances — this being the well-known 'arm's length principle'.

The arm's length principle has been widely adopted by the member countries of the OECD and has been incorporated into the domestic transfer pricing regulations of substantially all major jurisdictions. While India is not formally a member of the OECD, the Indian transfer pricing regulations contained in Sections 92 to 92F of the Income-tax Act, 1961 and the corresponding

rules are broadly aligned with the OECD framework, and Indian courts and tribunals have consistently recognised the OECD TP Guidelines as constituting persuasive guidance in interpreting and applying the domestic transfer pricing rules, to the extent such guidance is not inconsistent with the provisions of Indian law.

Under the arm's length principle, a transaction between associated enterprises is tested by comparing it against transactions undertaken between independent enterprises in comparable circumstances, with the objective of arriving at a range of arm's length prices or profit margins. The conceptual foundation of the principle lies in the recognition that, because market forces govern substantially all economic transactions, intra-group dealings should be benchmarked against similar dealings between unrelated enterprises in order to ensure that each member of the group is allocated an appropriate share of the overall economic return. Consistent with this framework, the OECD TP Guidelines and Rule 10B of the Income-tax Rules, 1962 recognise five transfer pricing methods, namely, the Comparable Uncontrolled Price method (CUP), the Resale Price Method (RPM), the Cost Plus Method (CPM), the Profit Split Method (PSM) and the Transactional Net Margin Method (TNMM). The selection of the most appropriate method depends on a range of factors including the nature of the transaction, the availability of reliable data in respect of comparable uncontrolled transactions and the characteristics of the tested party.

Consistent with the above framework, we have placed reliance on the principles emanating from the OECD TP Guidelines, the UN TP Manual and the Indian transfer pricing regulations in carrying out the analysis set out in this Report.

2.5 Relationship between TML and TCPL

TCPL is a joint venture entity established between Tata Motors Limited and Cummins Engine Company, USA, with the two parties holding equal (50:50) economic and voting rights in the entity. Cummins Engine Company is a wholly-owned subsidiary of Cummins Inc., a globally recognised United States-headquartered designer and manufacturer of internal combustion engines, electric and hybrid powertrains and related power-generation products. The joint venture has subsisted, in materially the same form, for several decades and operates from its integrated engine manufacturing facility at Jamshedpur, Jharkhand and Phaltan, Maharashtra. The principal commercial purpose of TCPL is to manufacture and supply mid-range B&L series engines, in the range of 75 to 400 HP, together with related engine parts and components, both for use in TML's commercial vehicle platforms and (to a limited extent) for supply to Cummins India Limited, an affiliate of Cummins Inc. operating in India.

The principal commercial purpose of TCPL is to manufacture engines, engine parts and components in India under appropriate authorisations and technical licences from the joint venture partners. The manufacturing activities are carried out at TCPL's integrated facility at Jamshedpur and Phaltan, Maharashtra, Jharkhand and Phaltan, Maharashtra. The commercial framework governing the joint venture provides that TML purchases approximately 90% of TCPL's installed production capacity, with the balance 10% being supplied to Cummins India Limited, an affiliate of the joint venture partner. TCPL bears responsibility for all warranty and defect-related obligations on mutually agreed terms.

By reason of the foregoing shareholding, control and contractual arrangements, TCPL qualifies as a 'related party' of TML within the meaning of the Act and the SEBI LODR, and transactions between TML and TCPL accordingly fall within the scope of the regulatory regime governing related party transactions.

2.6 Description of Proposed Operating Transactions with TCPL

Set out below is a detailed description of each of the transaction streams proposed to be undertaken by TML with TCPL during FY 2026-27, including the nature of the transaction, the underlying commercial rationale, the pricing mechanism and the contractual framework. These descriptions should be read together with the analysis of ordinary course and arm's length set out in Section 3 of this Report.

2.6.1 Purchase of Engines, Engine Parts and Components

The predominant transaction stream between TML and TCPL comprises the purchase by TML of mid-range B&L series engines (in the range of 75 to 400 HP), including, by way of illustration, 6BT BSII / BSIII engines, ISLe (8.9L) and L8.9 mechanical engines, together with engine parts and components, all manufactured at TCPL's Jamshedpur and Phaltan facility. The engines and components are manufactured by TCPL strictly in accordance with the technical specifications, design inputs and quality standards prescribed by TML for use in its commercial vehicle platforms. TCPL is responsible for all warranty obligations and for any expenses arising on account of material or manufacturing defects in the engines and components supplied, in each case on mutually agreed terms. TML procures approximately 70%-80% of TCPL's installed production capacity, with the remaining 20%-30% being procured by Cummins India Limited, an affiliate of the joint venture partner.

Under the contractual framework governing these supplies, TML compensates TCPL on a full manufacturing cost plus an agreed mark-up basis, in line with prevailing industry practice for contract manufacturing arrangements of this nature. The pricing is settled on an open-book basis, with both parties having visibility of the cost build-up. The contractual arrangements have remained materially consistent over an extended period and are periodically reviewed in light of changes in input costs, product mix and applicable regulatory standards.

2.6.2 Sale of parts and components

TML sells to TCPL certain parts and components which are integrated by TCPL into the engines and other products manufactured at its Jamshedpur and Phaltan facility. This reverse supply represents an inherent feature of the integrated manufacturing arrangement, whereby TML contributes certain components from its own manufacturing ecosystem for consumption at the TCPL facility, thereby leveraging economies of scale and technological capabilities available within the group. The volume of this reverse supply is materially smaller than the principal flow of engines and components from TCPL to TML described in Section 2.6.1 above.

2.6.3 Recovery of expenses

TML operates a township in Jamshedpur for its own employees. TCPL plant is also located in Jamshedpur and its employees access the facilities of the township provided by TML. TML determines the costs incurred by it in operating and maintain the township and allocates a portion of such costs, applying reasonable allocation keys, to TCPL. Such recoveries are undertaken in accordance with the agreed commercial terms, typically on a cost-to-cost basis without any markup, reflecting a pass-through of expenses. This approach is consistent with accepted industry practices for routine costs of a similar nature.

2.6.4 Availing of testing services

TML buys used engines from the market and refurbishes them for use in manufacturing new vehicles. Prior to use in new vehicles, TML tests the refurbished engines, and upon receiving satisfactory test results, the engines are used. In a prior year, TML's own testing facility could not be used, and TML had to approach TCPL to perform the required testing services. As the engines are originally manufactured by TCPL, TML can only approach TCPL to perform the testing services. It is to be noted that the transaction would only be undertaken when TML's own testing facilities could not be used for some operational reasons.

The pricing is determined through a commercially driven process, wherein the business team of TML review the price quotation of TCPL alongside available market and independent sources, and agrees on the pricing through active negotiation. The process for determining prices is akin to determining prices in third-party transactions and can therefore be considered at arm's length.

3. Determination of arm's length basis and ordinary course of business for transaction with TCPL

3.1 Ordinary Course of Business – Analysis

Having regard to the commercial rationale, historical conduct and contractual framework governing the proposed transactions, we are of the view that the same are, individually and in the aggregate, clearly undertaken in the ordinary course of business of TML. Our conclusion in this regard is supported by the following considerations.

First, the transactions form an integral part of the principal business of TML, being the manufacture, purchase and sale of commercial vehicles. The object clause of the Memorandum of Association of the Company squarely covers the manufacture, sale, distribution, servicing and maintenance of motor vehicles, powertrains, parts, accessories and components, and the transactions with TCPL are a direct manifestation of this core business activity.

Second, the transactions are not isolated or one-off in character, but form part of a continuing, recurring commercial relationship. The 50:50 joint venture between TML (and its predecessor in respect of the commercial vehicles business) and Cummins Engine Company, USA was established several decades ago, and the resulting commercial arrangement has continued in operation since. Year after year, TML has undertaken substantially the same categories of transactions with TCPL. This pattern of consistent, year-on-year dealings with TCPL, spanning more than two decades, is a particularly strong indicator of the ordinary course character of the transactions.

Third, the size, volume and pricing mechanism of the transactions are consistent with the typical commercial conduct of a commercial vehicle manufacturer of the scale of TML. Contract manufacturing arrangements of the kind between TML and TCPL — under which a jointly-controlled or affiliated entity manufactures critical sub-assemblies (such as engines and powertrains) on behalf of the principal vehicle manufacturer — are a well-established feature of the global automotive industry. The reciprocal sale of certain parts and components by TML to TCPL is similarly an incidental and naturally arising feature of any such integrated manufacturing arrangement.

Fourth, the Audit Committee of the Company has historically characterised these categories of transactions with TCPL as being in the ordinary course of business, and such characterisation has been consistently reflected in the Company's annual financial statements, Board reports, corporate governance disclosures and filings with the stock exchanges. The consistent regulatory and disclosure posture, maintained over many years, further supports the conclusion that the transactions are ordinary course in nature.

Accordingly, the proposed transactions with TCPL for FY 2026-27 are, in our view, plainly undertaken in the ordinary course of business for the purposes of the Act and the SEBI LODR.

3.2 Arm's Length Analysis — Overall Approach

Having established that the proposed transactions are undertaken in the ordinary course of business, the next step is to evaluate whether such transactions also satisfy the arm's length

standard. In this regard, it is necessary first to identify the appropriate unit of analysis (i.e., whether each transaction should be evaluated separately or whether aggregation is warranted), the most appropriate transfer pricing method, the selection of the tested party and the profit level indicator to be applied.

3.2.1 Aggregation of Transactions

Consistent with the approach endorsed in paragraphs 3.9 to 3.12 of the OECD TP Guidelines (refer annexure 1), the arm's length principle is generally applied on a transaction-by-transaction basis. At the same time, the OECD TP Guidelines recognise that, where multiple transactions are so closely linked, continuous or interdependent that they cannot be reliably evaluated separately, an aggregated approach is appropriate and indeed preferable, because it produces a more reliable measure of the overall arm's length outcome.

In the present case, the transaction streams described in Section 2.6 above are intrinsically linked to the long-term integrated manufacturing arrangement between TML and TCPL. The purchase of engines, engine parts and components by TML from TCPL is the predominant economic flow and represents the natural outcome of TCPL's contract manufacturing function. The sale of parts and components by TML to TCPL is directly incidental to, and arises as a direct consequence of, the principal manufacturing arrangement. Evaluating each of these streams on a standalone basis would artificially disaggregate what is, in economic substance, a single integrated commercial relationship, and would therefore not yield a reliable measure of the overall arm's length outcome.

Accordingly, having regard to the interlinked and continuous nature of the transactions, we have adopted an aggregated approach for the benchmarking analysis, with the overall economic outcome of the arrangement being tested at the level of TCPL as the tested party.

3.2.2 Selection of TCPL as the Tested Party

Under well-accepted transfer pricing principles, the tested party is selected as the party to the controlled transaction that performs the less complex functions, assumes the less significant risks and owns or controls the less valuable intangibles, and in respect of which the most reliable comparable data is available. The selection of the less complex party as the tested party minimises the need for comparability adjustments and enhances the reliability of the overall analysis.

In the present case, TCPL has been consistently selected as the tested party in the transfer pricing analysis undertaken on a year-on-year basis since the establishment of the joint venture, and the same approach has been adopted in the benchmarking analysis underpinning this Report. The selection of TCPL as the tested party is supported by the following considerations:

- **Routine functional profile:** TCPL performs the functions of a manufacturer of engines and spare parts. TCPL does not perform significant entrepreneurial functions such as product design, research and development, market-facing sales and marketing, or the management of brand equity.
- **Limited risk profile:** TCPL bears only routine business risks associated with day-to-day manufacturing operations, such as manufacturing efficiency risk and routine quality risk. It does not bear significant entrepreneurial risks such as market risk, design risk, intellectual property risk or brand reputation risk, which are retained by the respective brand owners.

The committed-volume compensation mechanism described in Section 2.6.1 further insulates TCPL from demand volatility risk.

- **No valuable intangibles:** TCPL does not own or control any non-routine intangibles in its own right. The technical know-how, engineering drawings and specifications used at the Jamshedpur and Phaltan facility are licensed to TCPL by the respective brand owners, and the brands themselves are owned by third parties outside the TCPL entity.
- **Availability of reliable comparables:** Independent automotive component manufacturers and contract manufacturers operating in the Indian market constitute a reasonably robust set of comparables, whose publicly available financial information can be used to derive a reliable arm's length range for entities with a functional and risk profile comparable to that of TCPL.

Consistency with prior years' transfer pricing studies, both in terms of the selection of the tested party and the methodology applied, is also relevant, as it reflects a stable and coherent transfer pricing policy that has been subject to scrutiny by the Company's tax advisors and statutory auditors over an extended period, and has not been disturbed. This stability provides additional comfort as to the reliability of the analysis.

3.2.3 Most Appropriate Method and Profit Level Indicator

As observed in Section 2.4, Rule 10B of the Income-tax Rules, 1962, read together with the OECD TP Guidelines, recognises five transfer pricing methods, each of which is appropriate in different commercial and informational contexts. In the present case, we note that reliable internal Comparable Uncontrolled Price data is not available, inasmuch as TCPL does not undertake comparable supplies to unrelated parties on a standalone basis. Reliable external CUP data is similarly not practicable, given the heavily customised and product-specific nature of the vehicles, powertrains and related components manufactured at the TCPL facility. The Cost Plus Method and the Resale Price Method, while conceptually applicable in contract manufacturing and distribution contexts respectively, suffer from the practical difficulty of identifying reliable gross margin data for comparable companies in a public domain environment. The Profit Split Method is ordinarily reserved for highly integrated transactions involving unique and valuable intangibles contributed by both parties, which is not the position on the present facts.

The Transactional Net Margin Method ("TNMM") has therefore been selected as the most appropriate method in the present case, consistent with prior years' transfer pricing analysis. The TNMM examines the net profit margin / mark-up earned by the tested party in respect of the controlled transaction, tested against the net profit margins / mark-up earned by independent comparable enterprises in respect of similar uncontrolled transactions, after adjusting for material differences. The TNMM is particularly well-suited to situations involving a routine contract manufacturer such as TCPL, and its application in such contexts is widely endorsed by the OECD TP Guidelines, the UN TP Manual and Indian transfer pricing jurisprudence.

The Profit Level Indicator adopted in the analysis is the ratio of Operating Profit to Operating Costs (OP/OC), which is the measure most commonly applied to evaluate manufacturing entities and best reflects the cost-plus economic character of TCPL's remuneration model. Operating Profit is computed as the operating revenue of the entity less all operating costs, excluding non-operating items such as interest income, interest expense, exceptional items and foreign exchange gains or

losses; and Operating Costs are computed as the aggregate of cost of materials consumed, manufacturing and other operating overheads, employee costs and depreciation.

3.3 Inherent Third-Party Safeguard Arising from the Joint Venture Structure

Before turning to the benchmarking outcome, we consider it important to highlight a feature of the present arrangement that, in our view, provides a strong qualitative corroboration of its arm's length character, independently of the quantitative benchmarking analysis.

TCPL is not a wholly owned subsidiary of TML. It is a genuine joint venture in which unrelated third parties — namely, the Cummins group — hold an equivalent equity interest and participate meaningfully in the governance, commercial negotiations and financial affairs of the entity. The Cummins group's economic interest in TCPL is aligned with ensuring that TCPL is remunerated fairly for the functions it performs, the assets it deploys and the risks it assumes, and it is therefore commercially motivated to resist any pricing or contractual arrangement that would result in TCPL being compensated at a level below an appropriate commercial benchmark.

The existence of such an independent third-party joint venture partner, whose economic interests are structurally opposed to under-compensation of TCPL, operates as an effective, built-in check on the arm's length character of the commercial arrangements between TML and TCPL. Every material commercial term — including the pricing formulae, mark-up rates, credit period, interest rate structure and volume commitments — has, as part of the underlying contractual framework, been the subject of negotiation between TML on the one hand and Cummins group entities on the other, each acting in its own commercial self-interest. It is, as a matter of first principle, unlikely that an unrelated third party of the standing and sophistication of the Cummins group would accept a pricing arrangement in respect of its own joint venture investment that is not, on an overall basis, commensurate with arm's length commercial norms.

This inherent third-party safeguard, which is a structural feature of the present arrangement and is not typically available in the case of transactions between a parent and a wholly-owned subsidiary, provides significant qualitative support for the view that the commercial terms of the proposed transactions are, in substance, at arm's length. It is also consistent with the approach adopted in several prior transfer pricing studies, restructuring documents and corporate governance disclosures, which have recognised that the pricing terms agreed between TML and TCPL are the product of arm's length negotiations between TML and the Cummins group.

3.4 Benchmarking Approach and Summary of Results

As noted in Section 3.2 above, the benchmarking analysis has been carried out on an aggregated basis, at the level of TCPL as the tested party, applying the TNMM with OP/OC as the relevant Profit Level Indicator. A search for comparable companies has been conducted on a widely accepted commercial database of Indian company financials, applying a set of quantitative and qualitative filters designed to identify independent enterprises engaged in the manufacture of engines and spare parts, operating in India, with a functional profile reasonably comparable to that of TCPL. The detailed benchmarking search strategy, acceptance/rejection matrix and final set of comparable companies are available in the underlying working papers and have been reviewed to confirm the reliability of the analysis; the same have not been reproduced in full in this Report in

the interest of readability and so as not to include any information that may be regarded as commercially sensitive, in accordance with the confidentiality protocols agreed with the Company.

The arm's length range derived from the final set of independent comparable companies, on a weighted-average basis for the three-year observation period FY 2022-23 to FY 2024-25 is summarised below:

Table 5: Benchmarking summary — manufacturing of engines (aggregated with other operating transactions between TML and TCPL)

Particulars	Weighted-average OP/OC (FY 23-25)
25th percentile (lower end of arm's length range)	4.08%
Median	8.17%
75th percentile (upper end of arm's length range)	11.13%

The entity-level mark-up on operating costs of TCPL for FY 2025–26 has been evaluated and is observed to be within the arm's length range, meeting the arm's length price. Further, having regard to (i) the stability of the pricing policy governing the transaction streams, (ii) the continuing nature of the underlying commercial arrangement, and (iii) the absence of any material change in the functional profile, risk profile, or asset base of TCPL, the mark-up on operating costs of TCPL for FY 2026–27 is expected to remain consistent with the levels observed in FY 2025–26. Therefore, as the mark-up on operating costs for FY 2026-27 is expected to fall within the arm's length range, the transaction prices between TML and TCPL shall meet the arm's length price.

It is further noted that the sale of parts and components by TML to TCPL (as described in Section 2.6.2 above) is a relatively small reciprocal flow within the integrated manufacturing arrangement, priced on principles consistent with TML's cost recovery and a fair commercial mark-up, and is subsumed within the aggregated benchmarking analysis carried out at the level of TCPL as the tested party. Accordingly, this ancillary transaction stream is also considered to be at arm's length.

4. Concluding Observations

Based on our review of the facts and information made available to us by TML, the applicable legal and regulatory framework, the commercial rationale underlying the proposed transactions, the contractual and pricing framework governing the relationship between TML and TCPL, the inherent safeguard provided by the joint venture structure involving an unrelated third-party partner, and the benchmarking analysis summarised in Section 3 above, we are of the considered professional view that:

- **Ordinary course of business:** The proposed transactions between TML and TCPL for FY 2026-27, comprising the purchase of engines, engine parts and components from TCPL and the sale of certain parts and components by TML to TCPL, are, individually and in the aggregate, undertaken in the ordinary course of business of TML, having regard to the principal activity of the Company, the recurring and continuous nature of the underlying commercial relationship (which has subsisted on substantially the same terms over more than two decades), and the consistency of the transactions with the typical commercial conduct of a commercial vehicle manufacturer of the scale of TML.
- **Arm's length basis:** The proposed transactions satisfy the arm's length standard, as evidenced by the benchmarking analysis carried out at the level of TCPL as the consistently selected tested party, under which the entity-level operating mark-up earned by TCPL falls squarely within the arm's length range derived from independent comparable companies engaged in the manufacture of engines and spare parts. The arm's length character of the arrangement is further qualitatively corroborated by the inherent safeguard arising from the participation of the unrelated Cummins group as a joint venture partner holding an equivalent economic interest in TCPL.
- **Fairness, appropriateness and interest of the Company:** The proposed transactions are fair and appropriate from the standpoint of TML and its shareholders, and are in the interest of the listed entity and its minority public shareholders. The continuation of the existing commercial arrangement with TCPL ensures continuity of supply of critical manufactured products to TML, leverages the specialised manufacturing capabilities of the Jamshedpur and Phaltan, facility, and is expected to contribute to the competitiveness and operating results of the Company. Correspondingly, the pricing, financial arrangements and other commercial terms are comparable to those that an independent enterprise operating in the same industry would enter into under similar circumstances.

Accordingly, in our considered view, the proposed related party transactions between TML and TCPL for FY 2026-27 are undertaken in the ordinary course of business and on an arm's length basis for the purposes of the Companies Act, 2013 and the SEBI LODR, and are fair, appropriate and in the interest of the listed entity.

ADDRESSES

Mumbai

11th Floor, One IndiaBulls Centre,
Tower 2B, 841, Senapati Bapat Marg,
Elphinstone Road (West),
Mumbai 400 013
Tel: +91 22 6108 1000 / 1900

Ahmedabad

402, 4th Floor, Venus Atlantis, 100 Feet Road,
Prahladnagar,
Ahmedabad – 380 015
Tel: +91 79 6134 3434

Bengaluru

Lavelle Road, 67/1B,
4th Cross, Bengaluru,
Karnataka – 560 001
Tel: +91 90510 48715

Delhi / NCR

305-307, Emaar Capital Tower - 1,
MG Road, Sector 26, Gurgaon,
Haryana – 122 002
Tel: +91 124 668 7000

New Delhi

1007-1008, 10th Floor, Kailash Building
KG Mark, Connaught Place,
New Delhi- 110001
Tel: +91-114-514 3438

Gift City

510,5th Floor, Pragya II
Zone-1, GIFT SEZ, GIFT City
Gandhinagar, Gujrat - 382 050
Tel: +91-787-857 7277

Pune

305, Pride Gateway, Near D-
Mart, Baner,
Pune - 411 045
Tel: +91-20-6730 1000

Kolkata

4th Floor, Unit No 403, Camac
Square,
24 Camac Street, Kolkata
West Bengal – 700016
Tel: +91-33-66371000

Singapore

Dhruva Advisors (Singapore)
Pte. Ltd.
20 Collyer Quay, #11-05
Singapore 049319
Tel: +65 9105 3645

Dubai

Dhruva Consultants
Emaar Square Building 4.
2nd Floor. Office 207,
Downtown. Dubai. UAE
Tel: + 971 4 240 8477

Saudi Arabia

Dhruva Consultants
308. 7775 King Fahd Rd. A1
Olaya, 2970, Riyadh 12212.
Saudi Arabia

Abu Dhabi

1905 Addax Tower, City of
Lights, Al Reem Island,
Abu Dhabi, UAE
Tel : +971 2 678 0054

Disclaimer:

This information contained herein is in summary form and is therefore intended for general guidance only. This publication is not intended to address the circumstances of any particular individual or entity. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. This publication is not a substitute for detailed research and opinion. Before acting on any matters contained herein, reference should be made to subject matter experts and professional judgment needs to be exercised. Dhruva Advisors India Pvt. Ltd. cannot accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication