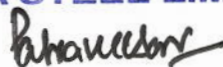


September 22, 2022

Strictly Private & Confidential

To,
Board of Directors,
Tata Steel Limited
Bombay House
24 Homi Mody Street
Fort, Mumbai – 400 001

TRUE COPY
TATA STEEL LIMITED

(PARVATHEESAM KANCHINADHAM)
COMPANY SECRETARY &
CHIEF LEGAL OFFICER (CORPORATE & COMPLIANCE)

Dear Sir / Madam,

Sub: Recommendation of Share Exchange Ratio for the proposed amalgamation of Tata Metaliks Limited into Tata Steel Limited

I refer to the engagement letter dt. September 13, 2022 whereby, Tata Steel Limited ("TSL" or Client), has engaged me for recommendation of the Share Exchange Ratio for the proposed amalgamation of Tata Metaliks Limited ("TML") into TSL. TSL and TML are together referred to as ("Companies"). Vikrant Jain has been hereafter referred to as 'Registered Valuer' or 'I' or 'me'.

The Share exchange ratio for this report ("Report") refers to number of equity shares of face value of INR 1/- each of TSL which would be issued to the equity shareholders of TML in lieu of number of equity shares of INR 10/- each of TML held by them, pursuant to the Proposed Amalgamation.

SCOPE AND PURPOSE OF THIS REPORT

I understand that the management of the Companies ("Management") is contemplating amalgamation of TML into TSL ("Transaction") pursuant to a Scheme of Amalgamation ("Scheme") to be implemented under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

As a consideration for the amalgamation, equity shareholders of TML (other than TSL) would be issued equity shares of TSL. Share Exchange Ratio for this Report refers to the number of equity shares of face value of INR 1/- each of TSL, which would be issued to the shareholders of TML of face value of INR 10/- each.

For the aforesaid purpose, the Client has engaged the Registered Valuer to submit a report recommending the share Exchange Ratio. The scope of my services is to conduct valuation of the equity shares of the Companies and recommending the Share Exchange Ratio in accordance with internationally accepted valuation standards.

SOURCE OF INFORMATION

My valuation analysis is undertaken on the basis of the following information relating to the business of the Company, furnished to me by the management of the Companies and information available in public domain.

I have been provided with the following documents / information by the Client:

- Draft Scheme of Amalgamation u/s 230 to 232 and other applicable provisions of the Companies Act, 2013;
- Audited financial statements of the Companies for the past 3 financial years;
- Financial results for the quarter ended 30th June 2021 and 30th June 2022 for TSL & TML;
- Discussions with the Management on various issues relevant to the valuation exercise, such as outlook of the industry, future prospects, expected growth rate and other relevant information regarding future envisaged profitability of the business, etc;
- Other relevant details of the Companies such as their history, their promoters, past and present activities, and other relevant information and data including information in the public domain;
- Such other information and explanations as we required and which have been provided by the management of the Companies.

DATE OF VALUATION

The valuation is done as of 22nd September 2022, using the financial statements as on 30th June 2022.

BACKGROUND

Tata Steel Limited:

Tata Steel Limited ("TSL") is one of the largest steel manufacturing companies headquartered at Mumbai and TSL is engaged in the business of manufacturing steel offering a broad range of steel products including a portfolio of high value-added downstream products such as hot rolled, cold rolled and coated steel, rebars, wire rods, tubes and wires. TSL also has a well-established distribution network. It is a listed company incorporated on August 26, 1907, having its registered office at Bombay House, 24, Homi Mody Street, Fort, Mumbai – 400 001 and CIN is L27100MH1907PLC000260. The issued and subscribed equity share capital as on August 1, 2022 is INR 1,222.12 Cr, consisting of 12,22,12,20,420 equity shares of face value of INR 1/- each fully paid up and INR 0.06 Cr consisting of 22,32,880 equity shares of INR 0.2504/- each partly paid up. The Shareholding Pattern is as follows:

Sr. No.	Class of Shareholders	No. of shares held	% of total Shareholding
1	Promoter & Promoter Group	4,14,35,86,570	33.90%
2	Public	8,07,98,66,730	66.10%
	TOTAL	12,22,34,53,300	100.00%

Tata Metaliks Limited:

Tata Metaliks Limited ("TML") is a subsidiary of TSL and is engaged in the business of steel producing Pig Iron and Ductile Iron Pipes in India. It has manufacturing plants at Kharagpur, West Bengal. TML is a public limited company incorporated on October 10, 1990, having its registered office at Tata Centre, 10th Floor, 43, J. L. Nehru Road, Kolkata – 700 071, West Bengal, and CIN is L27310WB1990PLC050000. The issued and subscribed equity share capital as on 30th June 2022 is INR 31.58 Cr, consisting of 3,15,77,500 equity shares of face value of INR 10/- each. The Shareholding Pattern is as follows:



Sr. No.	Class of Shareholders	No. of shares held	% of total Shareholding
1	Promoter & Promoter Group	1,89,57,090	60.03%
2	Public	1,26,20,410	39.97%
	TOTAL	3,15,77,500	100.00%

EXCLUSIONS AND LIMITATIONS

My Report is subject to the scope limitations detailed in engagement letter dt. September 13, 2022. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

No investigation of the Companies' claims to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

My work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, I am unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in report as per the agreed terms of engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particulars. This report is issued on the understanding that the Client has drawn my attention to all the material information, which it is aware of concerning the financial position of the Company and any other matter, which have an impact on my opinion, on the value of shares of the Companies for the purpose of the proposed amalgamation, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the report date. I have no responsibility to update this report for events and circumstances occurring after the date of the report.

In the course of valuation, I was provided with both written and verbal information. I have evaluated the information provided to me by the Client through broad inquiry, analysis and review but have not carried a due diligence or audit of the information provided for the purpose of this engagement. I assume no responsibility for any errors in the above information furnished by the Client and consequential impact on the present exercise.

My report is not, nor should it be construed as my opinion or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market laws or as regards any legal implications or issues arising from such proposed transaction.

This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory / statutory authority as may be required under the law.

Registered Valuer, nor its managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the



valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

The information contained herein and my report is confidential. Any person / party intending to provide finance / invest in the shares / businesses of any of the Companies, 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. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with my prior permission in writing.

APPROACH TO VALUATION ENGAGEMENT

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Discussion with the Management to understand the business and fundamental factors that affect its earning-generating capability including strength, weaknesses, opportunity and threats analysis and historical financial performance
- Analysis of information shared by the Management
- Analysis of information related to the Companies and its peers as available in public domain
- Discussion with the Registered Valuer and the Fairness Opinion giver appointed by TML regarding the valuation approach being adopted by them for the proposed Transaction
- Selection of appropriate internationally accepted valuation methodology/(ies) after deliberation
- Arriving at Valuation of Shares for the Proposed Transaction

VALUATION MEHTODOLOGY

The Scheme contemplates the Amalgamation of TML into TSL. Arriving at the exchange ratio would require determining relative value of the equity shares of TSL and TML. These values are to be determined independently but on a relative basis for the Companies, without considering the Proposed Transaction.

There are several commonly used and accepted methods for determining the valuation of TSL, which have been considered in the present case, to the extent and applicable, including:

1. Market Approach:
 - a. Market Price Method
 - b. Comparable Companies Multiples
2. Income Approach: Discounted Cash Flow Method
3. Cost Approach: Net Asset Value Method

As discussed below for the Proposed Transaction we have considered these methods, to the extent relevant and applicable. This valuation could fluctuate with passage of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financials and otherwise, of the Companies, and other factors which generally influence the valuation of the companies and their assets.

I have relied on the judgement of the Management as regards contingent and other liabilities, and have made appropriate adjustments for the same based on my past experience.



The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. My choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature, regulatory guideline and our reasonable judgement, in an independent and bona fide manner based on my previous experience of assignments.

The Valuation methodologies, as may be applicable which have been used to arrive at the value attributable to the equity shareholders of TSL, are discussed hereunder:

Market Price (“MP”) Method:

The market price of an equity share as quoted on a stock Entitlement is normally considered as the value of the equity shares of that company where such quotations are available from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

In the present case, equity shares of TSL and TML are listed on both BSE and NSE. The share price observed on NSE for an appropriate period prior to the valuation date (upto 12th September 2022) has been considered for determining the value of TSL and TML under the market price method as the traded turnover of shares of TSL and TML is higher on NSE as compared to the turnover of shares on BSE. The market value of TSL and TML is arrived at by considering SEBI formula.

Comparable Companies Market Multiple (“CCM”) Method:

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. I have considered this method for valuing both the companies.

Discounted Cash Flow (“DCF”) Method:

The discounted cash flow method is a modern valuation method which relates the value of an asset to the present value of the expected future cash flows on those assets. Here the projected cash flow is discounted with the weighted average cost of capital to arrive at the value. I have not considered DCF for the present valuation exercise, as the long term financial projections have not been made available being price sensitivity information.

Book Value / Net Assets Value (“NAV”) Method:

In case of Net Assets Method, the value is determined by dividing the net assets of the company by the number of shares. The underlying asset approach represents the value with reference to the historical cost of the assets owned by a company and attached liabilities as at the valuation date.

Since the shares are valued on a “going concern” basis, and there are no intentions to dispose off the assets of the Companies, I have considered it appropriate not to consider this method of valuation for the present valuation exercise.



RECOMMENDATION ON FAIR EXCHANGE RATIO

The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at, under each of the above approaches, for the purpose of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of each company. It is however important to note that in doing so, I am not attempting to arrive at the absolute values of the shares of each company. My approach is to work out relative value of shares of the Companies to facilitate determination of ratio of exchange by applying appropriate weightage to the values.

Computation of Fair Share Exchange Ratio

Valuation Approach	TSL		TML	
	Value Per Share	Weight	Value Per Share	Weight
Asset Approach – NAV Method*	91.6	0%	483.5	0%
Income Approach – DCF Method**	N/A	0%	N/A	0%
Market Approach – MP Method	106.6	50%	789.6	50%
Market Approach – CCM Method	107.4	50%	900.0	50%
Relative Value per Share	107.0		844.8	
Fair Exchange Ratio (rounded off)	7.9			

**Both the Companies are assumed to continue business on "going concern basis", and there being no intention to dispose off the assets, therefore I have not considered Asset Approach Method for the said transaction.*

***Since the Companies are listed on stock exchanges, information relating to the future financial performance of the Companies is price sensitive, accordingly long term financial projections have not been made available. Hence income approach has not been considered for the present exercise.*

RATIO:

79 equity shares of TSL of Rs. 1/- each fully paidup for every 10 equity shares of TML of Rs. 10/- each fully paidup.

The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each of the Companies and the business dynamics and growth potential of the businesses of the Companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in various judicial decisions.



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Registration No. IBBI/RV/05/2018/10204

FAIR EXCHANGE RATIO FOR AMALGAMATION OF TML into TSL

In the light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in my opinion, a fair ratio of exchange in the event of amalgamation of TML into TSL would be:

79 equity shares of TSL of Re. 1/- each fully paid up for every 10 equity shares of TML of Rs. 10/- each fully paid up.

Report Submitted

Thanking you,
Yours faithfully,

VIKRANT
HEMRAJ
JAIN

Digitally signed by
VIKRANT HEMRAJ
JAIN
Date: 2022.09.22
11:36:25 +05'30'

CA Vikrant Jain
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