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6 February 2023

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

TRUE COPY
TATA STEEL LIMITED
Vishwasan
(PARVATHEESAM KANCHINADHAM)
COMPANY SECRETARY &
CHIEF LEGAL OFFICER (CORPORATE & COMPLIANCE)

Sub: Fairness opinion on the fair equity value of Angul Energy Limited Limited (“AEL”) recommended by the independent registered valuer for proposed amalgamation of AEL into Tata Steel Limited

Dear Sirs/ Madam,

We refer to the engagement letter dated 31 January 2023 with Ernst & Young Merchant Banking Services LLP (hereinafter referred to as “we” or “EY” or “us”), wherein Tata Steel Limited (hereinafter referred to as “you” or “Client” or “TSL”) has requested us to provide a fairness opinion on fair equity value of Angul Energy Limited Limited (“AEL”) recommended by Vikrant Jain, Registered Valuer (hereby referred as “Independent Valuer” or “Registered Valuer”) as at 31 December 2022 (“Valuation Date”) for the proposed amalgamation of AEL into TSL (together AEL and TSL are referred to as “Companies”).

SCOPE AND PURPOSE OF THIS REPORT

We understand that amalgamation of AEL into TSL (“Proposed Transaction” or “Proposed Amalgamation”), under a Scheme of Amalgamation (“Scheme”) is being evaluated by the Board of Directors under Section 230 to 232 and other applicable provisions of the Companies Act, 2013 and other provisions of the Companies Act, 2013, as may be applicable. As a consideration for this Proposed Transaction, minority equity shareholders of AEL would be paid cash consideration by TSL in lieu of their shareholding in AEL.

In this connection, the Client has engaged EY to provide fairness opinion on the fair equity value of AEL as at Valuation Date determined by Vikrant Jain, Registered Valuer with IBBI with Registration No. IBBI/RV/05/2018/10204 for the Proposed Transaction.

This fairness opinion report (“Report”) is our deliverable in respect of the above engagement.





This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

This Report has been issued only for the purpose of facilitating the Proposed Transaction and should not be used for any other purpose.

SOURCES OF INFORMATION

In connection with this exercise, we have received the following information from the Management / obtained from public domain:

- Fair valuation report of equity shares of AEL as at 31 December 2022 issued by Vikrant Jain, Registered Valuer dated 6 February 2023
- Draft Scheme of Amalgamation for the Proposed Merger
- Audited financial statements of AEL for the year ended 31 March 2020 to 31 March 2022
- Audited interim financial statements of AEL for the 9 months ending 31 December 2022
- Financial projections of AEL from 1 January 2023 to 31 March 2034
- Copy of Power Tolling Agreement between TSL and AEL
- Details of contingent liabilities as at 31 March 2022 and confirmation that there is no material change in contingent liabilities from 31 March 2022 till Report date for AEL
- Background information provided through emails or during discussions.

We have also obtained further explanations and information considered reasonably necessary for our exercise.

During the discussions with the management of Companies, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. The Client have been provided with the opportunity to review the draft report (excluding the fair equity value proposed by the Registered Valuer and the fairness opinion on the recommended equity value) as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Report.





PROCEDURES ADOPTED

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

- Requested and received financial and qualitative information
- Obtained data available in public domain
- Discussions (physical/over call) with the management of the Companies to:
 - Understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance
- Undertook Industry Analysis:
 - Researched publicly available market data including economic factors and industry trends that may impact the valuation
 - Analyzed of key trends and valuation multiples of comparable companies/comparable transactions using proprietary databases subscribed by us or our network firms
- Reviewed the fair equity valuation arrived by Vikrant Jain, Registered Valuer along with supporting valuation workings and had discussions to seek clarifications.
- Undertook alternative calculations and analysis based on internationally accepted valuation methodology/(ies) as considered appropriate by us





SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of fairness opinions and consideration of the issues described herein are areas of our regular valuation practice. The services do not represent accounting, assurance, accounting/tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The user to which this fairness report opinion is addressed should read the basis upon which the Report has been prepared and be aware of the potential for later variations in value due to factors that are unforeseen at the Valuation Date. Due to possible changes in market forces (including prevailing quoted prices) and circumstances, this opinion can only be regarded as relevant as at the Valuation Date.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our Report is restricted for the purpose indicated in the engagement letter. We do not take any responsibility for the unauthorized use of this Report.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of AEL's existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

The fairness opinion work has been performed on the Registered Valuer's report on recommendation of fair equity Value of AEL for the Proposed Amalgamation and audited balance sheet of AEL provided by the management as at 31 December 2022.

We have been informed that the business activities of AEL have been carried out in the normal and ordinary course between latest available financial statement date (i.e. 31 December 2022) and the Report date and that no material changes have occurred in their respective operations and financial position between 31 December 2022 and the Report date.

In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Client or Companies, their directors, employees or agents.

The Client and its Management warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the Client, their Management and other third parties, if any, concerning the





financial data, operational data and other information, except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the Companies, their directors, employee or agents.

Providing fairness opinion is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, our opinion will have to be tempered by the exercise of judicious discretion and judgment taking into accounts all the relevant factors.

The final responsibility for the determination of the equity value of AEL at which the Proposed Transaction shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors (if any).

We have assumed that the amalgamation will be consummated on the terms set forth in the Scheme and that the final version of the Scheme will not change in any material respect from the draft version we have reviewed for the purpose of this opinion.

EY is not aware of any contingency, commitment or material issue which could materially affect the AEL' economic environment and future performance and therefore, the fair value of the AEL.

The Report assumes that the AEL comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the AEL will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded / reflected in the balance sheet of AEL provided to us.

The Report 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.

We do not provide assurance on the achievability of the results forecasted by the Management / AEL as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecasted as the achievement of the forecast results is dependent on actions, plans and assumptions of AEL.





Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme, without our prior written consent. In addition, this Report does not in any manner address the prices at which equity shares of the Client will trade following announcement of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Transaction.

The fairness opinion is governed by concept of materiality.

It has been assumed that the required and relevant policies and practices have been adopted by AEL and would be continued in the future.

The fee for the Report is not contingent upon the results reported.

We owe responsibility only to the Board of Directors of the Client that has appointed us under the terms of the engagement letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person.

We have also relied on data from external sources to conclude the fairness opinion. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.





BACKGROUND

Tata Steel Limited

TSL manufactures and distributes steel products in India and internationally. The equity shares of TSL are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"). For the financial year ended 31 March 2022, TSL reported consolidated revenues from operations of INR 2,439.6 billion and consolidated profit after tax of INR 417.5 billion.

The issued and subscribed share capital of TSL as on date of the report is INR 12,221.2 million consisting of 12,221,220,420 equity shares of face value of INR 1 each (fully paid up) and INR 0.6 million consisting of 2,232,880 equity shares of face value of INR 1 each (INR 0.2504 each partly paid up)

Angul Energy Limited (AEL)

Angul Energy Limited is a subsidiary of Tata Steel Limited. TSL holds 99.998% equity stake in AEL. The company incorporated in India in the year 2005. The main objective is to carry on business of generation of Thermal Power.

The Company has set up 300 MW (two units of 150 MW) and 165 MW thermal power project in Odisha. The plants were commissioned in the year 2010 and 2016 respectively.

For the financial year ended 31 March 2022 AEL reported revenue of INR 1,851.1 million and profit after tax of INR 519.1 million.

The issued and paid-up share capital of AEL as on date of the report is INR 100.0 million divided into 1,00,00,142 equity shares of face value of INR 10 each (fully paid up)





VALUER'S RECOMMENDATION

The Registered Valuer determined an equity value of ₹ 1,045.1 crore for 100% equity stake of AEL as at 31 December 2022 i.e. per share equity value of ₹ 1,045 (of face value of ₹10 each fully paid up).

OUR OPINION

Based on Registered Valuer's report, our alternative calculations and on consideration of all the relevant factors and circumstances, we believe that the per share value determined by the Registered Valuer is fair from the financial perspective for the buyer i.e. Tata Steel Limited.

It should be noted that we have examined the fairness of the equity value of AEL for the Proposed Transaction only for the Board of directors/ shareholders of Tata Steel Limited and have not examined any other matter including economic rationale of the transfer per se or accounting and tax matters involved in the Proposed Transaction.

Respectfully submitted,

Ernst and Young Merchant Banking Services LLP



Navin Vohra
Partner

