

*Parvathesam*

(PARVATHEESAM KANCHINADHAM)

COMPANY SECRETARY &

CHIEF LEGAL OFFICER (CORPORATE & COMPLIANCE)



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22 September 2022

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

**Sub: Fairness opinion on the fair exchange ratio recommended by the independent registered valuer for proposed amalgamation of Tata Metaliks Limited into Tata Steel Limited**

Dear Sir / Madam,

We refer to the engagement letter dated 13 September 2022 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 exchange ratio recommended by Vikrant Jain, Registered Valuer (hereby referred as "Independent Valuer" or "Registered Valuer") as at 22 September 2022 ("Valuation Date") for the proposed amalgamation of Tata Metaliks Limited ("TML") into TSL (together TML and TSL are referred to as "Companies").

#### SCOPE AND PURPOSE OF THIS REPORT

We understand that amalgamation of TML 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, equity shareholders of TML would be issued equity shares of TSL in lieu of their shareholding in TML.

In this connection, the Client has engaged EY to provide fairness opinion on share exchange ratio proposed 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.

We have been provided with the audited financial statements of TML and unaudited limited reviewed consolidated financial statements of TSL for three months ended 30 June 2022. Further, we have been informed that all material information impacting the Companies have been disclosed to us.

We have been informed that:

- a) There would not be any capital variation in the Companies till the Proposed Amalgamation becomes effective, except issuance of Employee Stock Options in normal course of the business of the Companies;

In the event that either of the Companies restructure their equity share capital by way of share split / consolidation / issue of bonus shares / or similar corporate actions after the date of the Report but before the Proposed Amalgamation becomes effective, the issue of shares pursuant to the equity share exchange ratio recommended by the Registered Valuer shall be adjusted accordingly to take into account the effect of any such corporate actions.

- b) Till the Proposed Amalgamation becomes effective, neither Companies would declare any substantial dividends having materially different yields as compared to past few years.

We have relied on the above for the purpose of providing Fairness Opinion Report for the Proposed Amalgamation.

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 of TSL ("Management") / obtained from public domain:

- Share Exchange Ratio report issued by Vikrant Jain, Registered Valuer dated 22 September 2022
- Draft Scheme of Arrangement for the Proposed Transaction
- Annual reports for years ended 31 March 2018 to 31 March 2022 for TML and TSL
- Unaudited limited reviewed consolidated financial statements of TSL for 3 months ended 30 June 2022 and 30 June 2021
- Audited financial statements of TML for 3 months ended 30 June 2022 and 30 June 2021
- Number of equity shares of the Companies as on the date of the Report
- 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 TML and TSL;
- Background information provided through emails or during discussions.

We have also obtained further explanations and information considered reasonably necessary for our exercise, from the Management.

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 equity share exchange ratio proposed by the Registered Valuer and the fairness opinion on the recommended equity share exchange ratio by the Registered Valuer for the Proposed Amalgamation) 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 equity share exchange ratio arrived by the 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. This restriction does not preclude the Client from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. 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 the Companies 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 equity share exchange ratio for the Proposed Amalgamation and audited balance sheet of TML and unaudited limited reviewed consolidated balance sheet of TSL provided by the management of the Companies as at 30 June 2022.

We have been informed that the business activities of Companies have been carried out in the normal and ordinary course between latest available financial statement date (i.e. 30 June 2022) and the Report date and that no material changes have occurred in their respective operations and financial position between 30 June 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. There is, therefore, no indisputable single equity share exchange ratio.

The final responsibility for the determination of the equity share exchange ratio 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 Companies' economic environment and future performance and therefore, the fair value of the Companies.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies 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 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.





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 Companies 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 the Companies and would be continued in the future.

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

We owe responsibility to only to the Board of Directors of the Client that has appointed us under the terms of the engagement letters. 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 paid-up share capital of TSL as on date of the report is INR 12,221.8 million divided into 12,221,220,420 equity shares of face value of INR 1 each (fully paid up) and 2,232,880 equity shares of face value of INR 1 each (INR 0.25 each partly paid up)

### Tata Metaliks Limited

Tata Metaliks was incorporated in 1990 and is headquartered in Kolkata, India. It operates as a subsidiary of Tata Steel Limited. TSL owns 60.03% stake in TML.

TML manufactures and sells pig iron and ductile iron pipes in India and internationally. TML operates through Pig Iron and Ductile Iron (DI) Pipes segments. It offers pig iron under the Tata eFee brand for various kinds of castings in industries, such as automobile, agriculture, power, railways, aluminum shelters, and sanitary castings. It provides DI pipes under the Tata Ductura brand for use in various applications, such as transmission and distribution of potable water, transportation of sewage and wastewater, irrigation, and industrial usage in power plants. In addition, it provides by-products, including granulated blast furnace slag for cement plants; potted pig iron, which is used by foundries as scrap; pig iron scrap; and low Fe and high Fe iron sweepings.

For the financial year ender 31 March 2022 TML reported revenue from operations of INR 27.5 billion and net profit of INR 2.4 billion.

The issued and paid-up share capital of TML as on date of the report is INR 315.8 million divided into 31,577,500 equity shares of face value of INR 10 each (fully paid up)





## APPROACH - BASIS OF DETERMINATION OF THE SHARE EXCHANGE RATIO FOR THE PROPOSED TRANSACTION

The Registered Valuer has recommended the following share exchange ratio for the Proposed Amalgamation:

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

## OUR OPINION

Based on our independent calculation and on consideration of all the relevant factors and circumstances, we believe that the equity share exchange ratio as recommended by the Registered Valuer, as stated above in our opinion is fair to the equity shareholders of TSL.

It should be noted that we have examined only the fairness of the equity share exchange ratio as recommended by the Registered Valuer for the Proposed amalgamation only for the Board of Directors/shareholders of TSL and have not examined any other matter including economic rationale of the transfer per se or accounting and tax matters involved in the Proposed Amalgamation.

Respectfully submitted,

**Ernst & Young Merchant Banking Services LLP**

**Navin Vohra**  
Partner

