



REPORT ADOPTED BY THE BOARD OF DIRECTORS OF TATA STEEL LIMITED AT ITS MEETING HELD ON THURSDAY, SEPTMEBER 22, 2022 EXPLAINING THE EFFECT OF THE SCHEME OF AMALGAMATION OF TATA METALIKS LIMITED INTO AND WITH TATA STEEL LIMITED, ON EACH CLASS OF SHAREHOLDERS (PROMOTER AND NON-PROMOTERS), CREDITORS, KEY MANAGERIAL PERSONNEL, AND EMPLOYEES OF TATA STEEL LIMITED AND LAYING OUT IN PARTICULAR THE SHARE EXCHANGE RATIO, SPECIFYING ANY SPECIAL VALUATION DIFFICULTIES

1. Background:

1. Based on the recommendations of the Committee of Independent Directors and the Audit Committee, the Board of Directors ("**Board**") of Tata Steel Limited ("**Transferee Company**" or "**Company**"), at its meeting held on September 22, 2022, approved the Scheme of Amalgamation involving the Company and its subsidiary, Tata Metaliks Limited ("**Transferor Company**") and their respective shareholders (hereinafter referred to as "**Scheme**"), wherein the Transferor Company shall amalgamate into and with the Transferee Company in terms of Sections 230 to 232 and other applicable provisions, if any of the Companies Act, 2013 ("**Companies Act**") read with the rules made thereunder (including any statutory modification(s) or re-enactment(s) or other amendment(s) thereof for the time being in force), Section 2(1B), read with other applicable provisions of the Income-tax Act, 1961 (as amended) ("**IT Act**") and other applicable laws including SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 and the SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended from time to time ("**SEBI Circulars**").
2. In terms of Section 232(2)(c) of the Companies Act, a report from the Board of the Company, explaining the effect of the Scheme on each class of shareholders (promoters and non-promoter shareholders), creditors, key managerial personnel ("**KMP**"), and employees of the Company, setting out, among other things, the Share Exchange Ratio (*as defined in the Scheme*), specifying any special valuation difficulties, is required to be adopted by the Board. Such report is then required to be appended with the notice of the meeting of shareholders and creditors, if such meeting is ordered by the National Company Law Tribunal.
3. Accordingly, this report of the Board is prepared to comply with the requirements of Section 232(2)(c) of the Companies Act.
4. While deliberating on the Scheme, the Board, *inter-alia*, considered and took on record the following documents:
 - a) Draft of the proposed Scheme;

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- b) Valuation Report dated September 22, 2022, issued by Mr. Vikrant Jain, Registered Valuer (IBBI Reg no. IBBI/RV/05/2018/10204) ("**Valuation Report**"), who in his report has recommended the share exchange ratio of 79 (seventy-nine) fully paid-up equity shares of nominal value of ₹1/- each of the Transferee Company for every 10 (ten) fully paid-up equity shares of nominal value of ₹10/- each held in Transferor Company ("**Share Exchange Ratio**");
 - c) Fairness opinion dated September 22, 2022, issued by Ernst & Young Merchant Banking Services LLP, an independent SEBI registered Category-I Merchant Banker providing fairness opinion on the Share Exchange Ratio recommended in the Valuation Report prepared by Mr. Vikrant Jain ("**Fairness Opinion**");
 - d) Draft Auditor's Certificate dated September 22, 2022, issued by the Statutory Auditors of the Company i.e. Price Waterhouse & Co. Chartered Accountants LLP ("**Auditors Certificate**"), in terms of Para (A)(5) of Part I of the SEBI Circulars and *proviso* to sub-clause (j) of Section 232(3) of the Companies Act to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Companies Act;
 - e) Report of the Committee of Independent Directors of the Company dated September 22, 2022, recommending the Scheme, taking into consideration *inter alia*, that the Scheme is not detrimental to the shareholders of the Company; and
 - f) Report of the Audit Committee of the Company dated September 22, 2022, recommending the Scheme taking into consideration *inter alia*, the valuation report, and commenting on the need for the Scheme, rationale of the Scheme, cost benefit analysis of the Scheme, impact of the Scheme on the shareholders of the Company and synergies of business of entities involved.
5. The Scheme, amongst others, contemplates the following arrangements:
- a) Amalgamation of the Transferor Company into and with the Transferee Company in accordance with Section 2(1B) and other provisions of the IT Act, Sections 230 to 232 of the Companies Act and other applicable laws.
 - b) Pursuant to the sanction of the Scheme by the Competent Authority (*as defined in the Scheme*) and upon the fulfilment of conditions for the Scheme, the Scheme shall become effective from the opening of business on April 1, 2022 or such other date as may be determined by the Board of Directors of the concerned Transferor Company and the Transferee Company (collectively, "**Companies**") or directed / allowed by the Competent Authority ("**Appointed Date**").





- c) With effect from the Appointed Date and upon the Scheme becoming effective, the entire Undertaking (*as defined in the Scheme*) of the Transferor Company shall stand transferred to and vested in and/or be deemed to have been and stand transferred to and vested in the Company to become the Undertaking of the Company, in the manner provided for in the Scheme, in accordance with Sections 230 to 232 of the Companies Act, the IT Act and other applicable laws.
 - d) The entire paid-up share capital of the Transferor Company including the shares held by the Transferee Company in the Transferor Company shall stand cancelled in its entirety, without being required to comply with the provisions of Section 66 of the Companies Act.
 - e) Issue and allotment of New Shares (*as defined in the Scheme*) to the Eligible Members (*as defined in the Scheme*) of the Transferor Company (except the Transferee Company) as of the Record Date (*as defined in the Scheme*) in accordance with Part II of the Scheme. No shares shall be issued or allotted by the Company in respect of the shares held by the Company itself in the Transferor Company and all such shares shall stand cancelled and extinguished without any further act, application or deed.
 - f) Transfer of the authorized share capital of the Transferor Company to the Company and consequential increase in the authorized share capital of the Company as provided in Part III of the Scheme.
 - g) New Shares to be issued by the Transferee Company to the equity shareholders of the Transferor Company pursuant to the Scheme, would be listed on the BSE Limited and National Stock Exchange of India Limited ("**Stock Exchanges**").
 - h) The Transferor Company shall stand dissolved without being wound up.
6. The effectiveness of the Scheme is conditional upon fulfilment of the actions specified in the Scheme, which *inter alia* include:
- a) receipt of consents, no-objection letters, approvals from the Stock Exchanges accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI Circulars in respect of the Scheme (prior to filing the Scheme with the Competent Authority), which shall be in form and substance acceptable to the Companies, each acting reasonably and in good faith;
 - b) the Scheme being agreed to (in the manner prescribed herein) by the respective requisite majorities of the various classes of shareholders of the Companies as required under the Companies Act;





- c) the Scheme being approved by the public shareholders through e-voting in terms of Part – I (A)(10)(a) of SEBI Master circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 and the Scheme shall be acted upon only if votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it;
- d) there having been no interim or final ruling, decree or direction by any Appropriate Authority (as defined in the Scheme), which has not been stayed by an appellate authority, which has the effect of prohibiting or making unlawful, the consummation of the proposed Scheme by any of the Companies; and
- e) the Scheme being sanctioned by the Competent Authority under Sections 230 to 232 of the Companies Act, on terms as originally approved by or with such modifications as are acceptable to the Companies.

Upon the fulfilment of the aforementioned conditions, the Scheme shall become effective on the date or last of the dates on which the certified copies of the order of the Competent Authority sanctioning the Scheme are filed by the Transferor Company and the Transferee Company with their respective Registrar of Companies (whichever is later) ("**Effective Date**").

2. Effect of the Scheme on each class of shareholders and Key Managerial Personnel and promoter shareholders and non-promoter shareholders of Tata Steel Limited:

1. The Valuation Report recommends the following Share Exchange Ratio

79 (seventy-nine) fully paid-up equity shares of nominal value of ₹1/- each of the Transferee Company for every 10 (ten) fully paid up equity shares of nominal value of ₹10/- each held in the Transferor Company as on the Record Date (as defined in the Scheme);

No special valuation difficulties were reported by the Valuer.

2. Effect on the equity shareholders (promoter shareholders and non-promoter shareholders)

As far as the equity shareholders of the Transferee Company i.e. both promoter shareholders as well as non-promoter shareholders, are concerned, the amalgamation of the Transferor Company with the Company will result in dilution of holding of promoter group in the Transferee Company's shares by approximately 0.27% and in turn will increase the public shareholding of the Transferee Company's shares to that extent. There will also be an increase in the trading stock of the shares of the Transferee Company.





Further, the Transferee Company shall without any further application, act, instrument or deed, issue and allot 79 (seventy-nine) fully paid-up equity shares of nominal value of ₹1/- each of the Transferee Company to be allotted to the shareholders of the Transferor Company (except the Transferee Company) for every 10 (ten) fully paid-up equity shares of nominal value of ₹10/- each held by the shareholders (except the Transferee Company) in the Transferor Company, whose name(s) appear(s) in the register of members, including register and index of beneficial owners maintained by a depository(ies) under Section 11 of the Depositories Act, 1996 as on the Record Date (as defined in the Scheme). Thus, the shareholders of the Transferor Company will become the shareholders of the Transferee Company, which is part of both BSE SENSEX and NIFTY- 50 indices, the two most significant stock indices of the country. The issuance of New Shares in terms of the Scheme will have no significant impact on the shareholders of the Transferee Company, except consequent dilution upon issuance of the New Shares.

3. Effect on the KMPs

There shall be no effect on the KMPs of the Transferee Company except to the extent that Mr. Koushik Chatterjee, Executive Director and Chief Financial Officer of the Company, currently holding directorship in the Transferor Company, shall cease to be the director in the Transferor Company and except to the extent of the equity shares held (if any) by the KMPs or their relatives in the Transferor Company.

The effect of the Scheme on the interests of the KMPs and their relatives holding shares in the Company, is not different from the effect of the Scheme on other shareholders of the Company.

4. Effect on the creditors

Under the Scheme no arrangement or compromise is being proposed with the creditors (secured or unsecured, including debenture holders) of the Company. The liability of the creditors of the Company, under the Scheme, is neither being reduced nor being extinguished.

5. Effect on staff or employees

Under the Scheme, no rights of the staff and employees (who are on payroll of the Company) of the Company are being affected. The services of the staff and employees of the Company shall continue on the same terms and conditions applicable prior to the proposed Scheme.





Further, upon the Scheme becoming effective, the employees of the Transferor Company (“**Employees**”) will be deemed to have become employees of the Company pursuant to the Scheme with effect from the Effective Date.

All such Employees shall be deemed to have become employees of the Company, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with the Company, shall not be less favorable than those applicable to them with reference to their employment in the Transferor Company as on the Effective Date.

3. **Conclusion:**

While deliberating on the Scheme, the Board has considered its impact on each of the shareholders (promoters and non-promoter shareholders), KMPs, creditors and employees. In the opinion of the Board, the Scheme is in the best interest of the shareholders (promoters and non-promoter shareholders), KMPs, creditors and employees of the Company and there will be no prejudice caused to them in any manner by the Scheme.

The Board has adopted this Report after noting and considering the documents and information set forth in this Report. In order for the Transferee Company to comply with the requirements of extant regulations applicable to companies undertaking any scheme of amalgamation, this report of the Board may please be taken on record while considering the Scheme.

By order of the Board of Directors of Tata Steel Limited

A handwritten signature in blue ink, appearing to read 'N. Chandrasekaran'.

N. Chandrasekaran
Chairman

Date: September 22, 2022

Place: Mumbai