

REPORT ADOPTED BY THE AUDIT COMMITTEE OF ANGUL ENERGY LIMITED AT ITS MEETING HELD ON MONDAY, FEBRUARY 6, 2023, IN RELATION TO THE PROPOSED SCHEME OF AMALGAMATION OF ANGUL ENERGY LIMITED INTO AND WITH TATA STEEL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

Members Present:

Mr. Sanjib Nanda	Chairman
Dr. Ansuman Das	Member
Prof. Sougata Ray	Member

In Attendance

Mr. Rupesh Purwar	Company Secretary
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Invitees:

Mr. Shailesh Verma	Managing Director
Mr. Sanjeev Kumar Poddar	Chief Financial Officer
Mr. Dibyendu Dutta	Chief Portfolio Management & FFI, Tata Steel Limited
Ms. Neha Harlalka	Chief Portfolio Management, Tata Steel Limited

Special Invitees:

Mr. Vikash Goel	Omnifin Valuation Services (OPC) P Ltd., Registered Valuer
Mr. Ramakrishna Iyengar	Finshore Management Services Limited, Merchant Banker

1. BACKGROUND

- 1.1 The Audit Committee, at its meeting held on February 6, 2023, was requested to consider, and if thought fit, recommend to the Board of Directors ("**Board**") of Angul Energy Limited ("**Transferor Company**" or "**Company**"), a draft of the proposed scheme of amalgamation involving the Company and its holding company, Tata Steel Limited ("**Transferee Company**") and their respective shareholders, (hereinafter referred to as '**Scheme**'), wherein the unlisted subsidiary, Transferor Company shall amalgamate into and with the parent listed 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 amendments thereof for the time being in force), and other applicable laws including SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 and SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended from time to time ("**SEBI Circulars**") and SEBI Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated July 29, 2022 as updated upto December 1, 2022.



- 1.2 The Scheme is subject to the receipt of approval from the Board of Directors and (a) requisite majority of the shareholders of the respective Transferor Companies and Transferee Company (collectively '**Companies**'); (b) Competent Authority (as defined in each of the Schemes), (c) SEBI (d) The National Stock Exchange of India Limited and the BSE Limited (hereinafter collectively referred to as "**Stock Exchanges**"); and (e) such other approvals, permissions and sanctions of regulatory and other statutory or governmental authorities / quasi-judicial authorities, as may be necessary as per applicable laws.
- 1.3 The following documents were placed before the Audit Committee and while deliberating on the Scheme, the Audit Committee had, *inter alia*, considered and took on record these documents:
- a) A draft of the proposed Scheme;
 - b) Valuation Report dated February 6, 2023 issued by Omnifin Valuation Services (OPC) P Limited, Registered Valuer (IBBI Reg no. IBBI/RV-E/01/2022/160) ('**Valuation Report**'), who in its report has recommended the cash consideration of approx. ₹1,041.68 for every 1 (one) fully paid up equity share of ₹10/- (Rupees ten) each held by the shareholders (except the Transferee Company) of the Transferor Company, pursuant to the Scheme;
 - c) Fairness opinion dated February 6, 2023 issued by Finshore Management Services Limited, SEBI Registered Merchant Banker (Registration no: INM 000012185) providing fairness opinion on the cash consideration recommended in the Valuation Report prepared by Omnifin Valuation Services (OPC) P Limited ('**Fairness Opinion**'); and
 - d) Draft Auditor's Certificate dated February 6, 2023 from the Statutory Auditors of the Company i.e., Singhi & Co, Chartered Accountants ('**Auditors Certificate**'), in terms of *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 in Section 133 of the Companies Act.

2. PROPOSED SCHEME OF AMALGAMATION

- 2.1 The Audit Committee noted the salient features of the Scheme which *inter alia* are as under:
- a) Amalgamation of the Transferor Company into and with Transferee Company in accordance with Sections 230 to 232 of the Companies Act and other applicable laws.





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- b) Pursuant to the sanction of the Scheme by the Competent Authority and upon the conditions for the Scheme to become effective being fulfilled, the Scheme shall become effective from the opening of business hours on April 1, 2022, or such other date as may be determined by the Board of Directors of the Transferee Company and Transferor Company 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 Transferee Company to become undertaking of the Transferee Company, in the manner provided for in the Scheme, in accordance with Sections 230 to 232 of the Companies Act and other applicable laws.
- d) The entire paid-up share capital of 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) No shares shall be issued or allotted by the Transferee Company in respect of the shares held by the Transferee Company itself in the Transferor Company and all such shares shall stand cancelled and extinguished without any further application or deed.
- f) Payment of cash consideration based on the approved Valuation Report to all the shareholders of the Transferor Company (except the Transferee Company), without any further act, instrument or deed, in accordance with Part II of the Scheme.
- g) Transfer of the authorized share capital of the Transferor Company to the Transferee Company and consequential increase in the authorized share capital of the Company as provided in Part III of the Scheme.
- h) The Transferor Company shall stand dissolved without being wound up.

2.2 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 by the Transferee Company from the Stock Exchanges (*as defined in the Scheme*) in accordance with the SEBI (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;





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- (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 of the Transferee Company 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, 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**").

3. NEED FOR THE SCHEME

- 3.1 The Transferee Company is one of the leading global steel companies, with over 100 (hundred) years of experience in the steel sector and is a pioneer of steel manufacturing in India. The Transferee Company also operates coal and waste heat recovery-based captive power plants to cater its power requirement.
- 3.2 The Transferor Company is engaged in the business of generation of thermal power and has entered into a tolling arrangement with the Transferee Company and is operating as an external processing agent of the Transferee Company by converting coal into power.
- 3.3 The amalgamation will consolidate the business of the Transferor Company and the Transferee Company which will result in focused growth, operational efficiencies, and enhance business synergies. In addition, the resulting corporate holding structure will bring enhanced agility to business ecosystem of the merged entity.





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4. RATIONALE AND OBJECTIVE OF THE SCHEME

- 4.1 The amalgamation will ensure consolidation of all power assets under a single entity, which will increase system agility for power generation and allocation. It will help TSL to improve its plant reliability, ensuring steady source of power supply while optimising cost. Further, such restructuring will lead to simplification of group structure by eliminating multiple companies in similar operation.
- 4.2 The Companies believe that the financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of the Companies pooled in the merged entity, will lead to optimum use of infrastructure, rationalisation of cost in the areas of operations and administrative overheads, thereby maximising shareholder value of the merged entity.

5. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME

5.1 The proposed Scheme would result in the following synergies:

- (a) **Operational efficiencies:** The amalgamation is expected to result in better alignment, optimized power cost, sharing of best practices, cross-functional learnings and better utilisation of common facilities. It would result in synergy benefits arising out of single value chain thereby optimising costs and increasing operational efficiencies;
- (b) **Improving asset utilization:** The Transferee Company's technical expertise and financial resources can be used to eliminate congestion in Transferor Company's operations to improve plant load factor. This will also allow surplus capacity to be monetized by wheeling surplus power to the grid for utilization at different locations of the Transferee Company.
- (c) **Simplified structure and management efficiency:** In line with group level 5S strategy – simplification, synergy, scale, sustainability, and speed, the amalgamation will simplify group holding structure, improve agility to enable quicker decision making, eliminate administrative duplications, consequently reducing administrative costs of maintaining separate entities; and
- (d) **Sharing of best practices in sustainability, safety, health and environment:** Adoption of improved safety, environment and sustainability practices owing to a centralized committee at combined level to provide focused approach towards safety, environment and sustainability practices resulting in overall improvement. Further, overall technology maturity can be enhanced by the Companies through unfettered access to each other's information technology applications and systems.



6. IMPACT OF SCHEME ON SHAREHOLDERS

- 6.1 The Audit Committee noted that the Transferee Company has also obtained a valuation report from Mr. Vikrant Jain, Registered Valuer (IBBI Reg no. IBBI/RV/05/2018/10204) which recommends a cash consideration of ₹1,045/- for every 1 (one) fully paid-up equity share of a nominal value of ₹10/- (Rupees ten) each held by the shareholders (except the Transferee Company) in the Transferor Company. Upon deliberations, the Audit Committee recommended that the consideration payable be fixed at ₹1,045/- for every 1 (one) fully paid-up equity share of a nominal value of ₹10/- (Rupees ten) each held by the shareholders (except the Transferee Company) in the Transferor Company and such consideration shall be in the interest of the shareholders of the Transferor Company.
- 6.2 The Audit Committee of the Company thus noted that upon the Scheme coming into effect, the Transferee Company shall without any further application, act, instrument, or deed, pay ₹1,045/- (Rupees One Thousand and Forty Five only) to the shareholders of the Transferor Company (except the Transferee Company) for every 1 (one) fully paid-up equity share of nominal value of Rs. 10/- (Rupees ten) each held by the shareholders (except the Transferee Company) of Transferor Company, whose name appear in the Register of Members, as on the Record Date (as defined in the Scheme).
- 6.3 The Audit Committee noted that for the public shareholders of the Transferor Company, the Scheme will provide an opportunity to unlock the economic value for the shareholders by providing them with an exit opportunity. Further, being the majority shareholder of the Transferor Company, the Scheme offers an opportunity to the Transferee Company to consolidate its group structure and achieve synergies.

7. COST BENEFIT ANALYSIS OF THE SCHEME

The Scheme involves payment of cash consideration to the shareholders of the Transferor Company. Further, the implementation of the Scheme would involve incurring costs including, administrative cost, statutory dues, cost of transferring the assets and cost of advisors, etc. However, the long-term benefits as stated in paragraph 5 – Synergies of Business of the Entities involved in the Scheme are expected to outweigh costs towards implementation of the Scheme.

8. Valuation Report and Fairness Opinion

- 8.1 The Audit Committee reviewed the Valuation Report along with the summary thereof, and noted the method of valuation for determination of cash consideration payable to the Eligible Members (*as defined in the Scheme*) of the Transferor Company (other than the Transferee Company). Further, the Audit Committee, discussed details in relation to the Valuation Report with the independent Registered Valuer who was also present at the meeting.



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8.2 The Audit Committee also noted that the Fairness Opinion has confirmed that the cash consideration specified in the Valuation Report is fair to the shareholders (including the minority shareholders) of the Transferor Company. Further, the Audit Committee, discussed details in relation to the Fairness Opinion with the SEBI registered Category-I Merchant Banker who was also present at the meeting.

9. Recommendation of the Audit Committee

The Audit Committee, after taking into consideration the Valuation Report and the Fairness Opinion and other documents and based on its discussions with the Registered Valuer and the Merchant Banker recommends the draft Scheme in its present form for favourable consideration by the Board of Directors of Company.

This report of the Audit Committee may please be taken on record by the Board while considering the Scheme for approval and further authorisations.

For and on behalf of the Audit Committee of Angul Energy Limited

Sanjib Nanda
(DIN-01045306)

Chairman of the Audit Committee

Date: February 6, 2023

Place: Mumbai

