

February 06, 2023

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

Parvathesam Kanchinadham

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

Dear Sir/ Madam,

Sub: Determination of Fair Value of Equity Shares of Angul Energy Limited

I refer to the engagement letter dated January 18, 2023 whereby, Tata Steel Limited ("TSL" or "Client"), has engaged me for recommendation of the Fair Value of equity shares of Angul Energy Limited ("AEL" or "Company") for the proposed amalgamation of AEL into TSL. TSL and AEL are collectively referred to as "Companies". Vikrant Jain has been hereafter referred to as 'Registered Valuer' or 'I' or 'me'.

SCOPE AND PURPOSE OF THIS REPORT

I understand from the Client that the amalgamation of the Companies is being contemplated, whereby AEL shall be amalgamated 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 Transaction, equity shareholders of AEL other than the Client is proposed to be paid cash consideration.

AEL is a subsidiary of TSL. For the aforesaid purpose, the Client has engaged the Registered Valuer to submit a report recommending the Fair Value of equity shares of AEL. The scope of my services is to conduct a Fair valuation of the equity shares of the Company and recommend the same 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 Company and information available in public domain.

We 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 Company for the past 3 financial years;
- Interim audited financial statement for the period ended 31st December 2022 for AEL;
- Power Tolling Agreement dt. 24th October 2019;
- 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 Company 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 31st December 2022, using the financial statements as on 31st December 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 shared held | % of total Shareholding |
|---------|---------------------------|------------------------|-------------------------|
| 1 | Promoter & Promoter Group | 4,14,35,94,780 | 33.899% |
| 2 | Public | 8,07,98,58,520 | 66.101% |
| | TOTAL | 12,22,34,53,300 | 100.000% |

Angul Energy Limited:

Angul Energy Limited ("AEL"), (formerly known as Bhushan Energy Limited), is an unlisted public limited company incorporated on 14th September 2005, having its registered office at Ground Floor, Mira Corporate Suites, Plot No. 1 & 2, Ishwar Nagar, Mathura Road, New Delhi, and CIN: U40105DL2005PLC140748. The Company is a subsidiary of TSL. It has been acquired under Corporate Insolvency Resolution Process ("CIRP"). The main objective of AEL is to carry on business of generation of thermal power. It has set up 300 MW (2X150MW) and 165(1X165MW) thermal power project at Meramandali Village, District Dhenkanal, Odisha under Phase –1. The Company has entered into Power Tolling Agreement with TSL on 24th October 2019 for a contracted term of 15 years. The issued and subscribed equity share capital as on 31st December 2022 is INR 10.00 Cr, consisting of 1,00,00,142 equity shares of face value of INR 10/- each. The Shareholding Pattern is as follows:

| Sr. No. | Class of Shareholders | No. of shared held | % of total Shareholding |
|---------|-----------------------|--------------------|-------------------------|
| 1 | Tata Steel Limited | 99,99,904 | 99.998% |
| 2 | Others | 238 | 0.002% |
| | TOTAL | 1,00,00,142 | 100.000% |

EXCLUSIONS AND LIMITATIONS

My report is subject to the scope limitations detailed in engagement letter dated January 18, 2023. 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 Company 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 fair value of shares of the Company 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 Company, 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 Company and for submission to any regulatory / statutory authority as may be required under the law.

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 / business of the Company, 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 Company and its peers as available in public domain
- Discussion with the Registered Valuer and the Fairness Opinion giver appointed by AEL regarding the valuation approach being adopted for the proposed Transaction
- Selection of appropriate internationally accepted valuation methodology/(ies) after deliberation
- Arriving at Equity Valuation of AEL for the Proposed Transaction



VALUATION MEHTODOLOGY

The Scheme contemplates the amalgamation of AEL into TSL for cash consideration and hence would require determining fair value of the equity shares of AEL.

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

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

As discussed below for the Proposed Transaction I 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 Company, and other factors which generally influence the valuation of the company and their assets.

I have relied on the judgement of the Management as regards contingent and other liabilities, and have made appropriate adjustments (if any), 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 fair value of AEL, are discussed hereunder:

Comparable Companies Market Multiple ("CCM") Method:

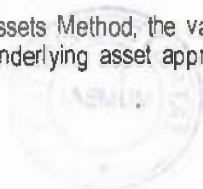
Under this method, fair value of the equity shares of a company is arrived at by using multiples derived from valuation of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Though I have primarily run CCM Method using the listed Companies belonging to power sector, however, considering the fact that the Company is just a captive power plant for TSL under a contract, I have not considered this method to be appropriate for the present valuation in the want of exact listed comparable in terms of size, operations and nature of business.

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 fair value. I have considered this method for valuing of equity shares of the Company based on the financial projections provided by the management.

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 the 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 Company, I have considered it appropriate not to consider this method of valuation for the present valuation exercise.

RECOMMENDATION ON FAIR EQUITY VALUE

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 the fair value of equity shares it is necessary to arrive at a single value. It is however important to note that in doing so, I am not attempting to arrive at the absolute value of the shares of the Company. My approach is to determine the fair value of AEL by applying appropriate weightage to the values.

Computation of Fair Equity Value of AEL

| Valuation Approach | AEL | |
|--|-----------------|--------|
| | Value Per Share | Weight |
| Asset Approach – NAV Method* | 919.5 | 0% |
| Income Approach – DCF Method | 1045.1 | 100% |
| Market Approach – CCM Method** | 1232.3 | 0% |
| Fair Equity Value per Share (Rounded) | 1045 | |

*The Company is 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 and have not assigned any weight to this method.

**There are no listed peer comparable companies to AEL, hence I have not considered CCM Method for the said transaction and have not assigned any weight to this Method.



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CA VIKRANT JAIN

B.Com, ACA, Registered Valuer
Registration No. IBBI/RV/05/2018/10204

The fair value of equity shares of the Company is based on the various methodologies explained herein earlier and various qualitative factors relevant to the company and the business dynamics and growth potential of the business of the Company, 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.

FAIR EQUITY VALUE OF AEL

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in my opinion, **the fair equity value of AEL is Rs. 1045.1 Cr. (i.e. Rs. 1045/- per equity share).**

Report Submitted

Thanking you,
Yours faithfully,

VIKRANT
HEMRAJ JAIN

Digitally signed by
VIKRANT HEMRAJ JAIN
Date: 2023.02.06
08:26:52 +0530'

CA Vikrant Jain
Registered Valuer
Reg No: IBBI/RV/05/2018/10204





February 27, 2023

The Secretary, Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Scrip Code: 500470/890144*

Dear Sir, Madam,

Sub: Application under Regulation 37 and Regulation 59A of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 for the proposed Scheme of Amalgamation of Angul Energy Limited ('Transferor Company') into and with Tata Steel Limited ('Transferee Company')

In connection with the above application, we hereby confirm that:

- a) No material event impacting the valuation has occurred during the intervening period of filing the scheme documents with Stock Exchange and period under consideration for valuation **as per the Valuation Report dated February 6, 2023, issued by CA Vikrant Jain, Registered Valuer Registration No. IBBI/RV/05/2018/10204.**
- b) There are no past defaults of listed debt obligations of the entities forming part of the scheme.

Thanking you.

Yours faithfully,
Tata Steel Limited




Parvatheesam Kanchinadham
Company Secretary &
Chief Legal Officer (Corporate & Compliance)

**Securities in scrip code 890144 stand suspended from trading effective February 17, 2021.*

TATA STEEL LIMITED

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Tel 91 22 6665 8282 Fax 91 22 6665 7724 Website www.tatasteel.com
Corporate Identity Number L27100MH1907PLC000260