

Date: April 10<sup>th</sup>, 2013

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

The Board of Directors  
Tata Metaliks Limited  
Tata Centre, 10th Floor,  
43 Jawaharlal Nehru Road,  
Kolkata 700 071

**Sub: Fairness opinion on the Merger Equity Share Entitlement Ratio for the proposed merger of Tata Metaliks Limited into Tata Steel Limited (the "Transaction")**

This has reference to engagement letter dated February 1, 2013 wherein Tata Steel Limited ('TSL') has requested ICICI Securities ('I-Sec') to provide fairness opinion to board of directors of Tata Metaliks limited ("TML") and Tata Steel Limited for merger of TML into TSL.

**BACKGROUND, PURPOSE AND USE OF THIS REPORT**

Tata Steel Group is among the top-ten global steel companies with an annual crude steel capacity of over 26.5 million tonnes per annum (mtpa). It is now the world's second-most geographically-diversified steel producer, with operations in 26 countries and a commercial presence in over 50 countries. It is listed on both, Bombay Stock Exchange Limited ('BSE') and National Stock Exchange of India Limited ('NSE') and has a current market cap of Rs 29,583 Cr.

**Shareholding pattern (as of Dec 12)**

Promoter	31.35%
Public	66.58%
Institutions	42.74 %
FII	14.79 %
DII	27.95%
Non Institutions	23.84%

Number of Shares outstanding (as of Dec 12): 97,12,14,545

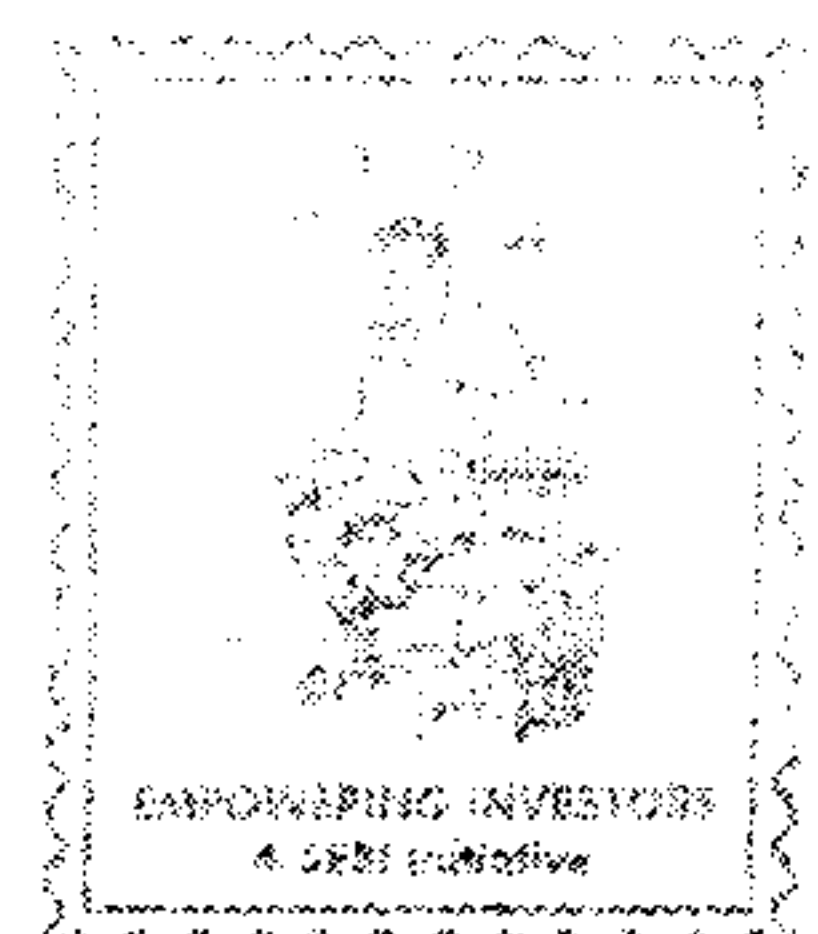
**ICICI Securities Limited**

Registered Office & Institutional Service : ICICI Centre, H. T. Parekh Marg, Churchgate,  
Mumbai 400 020, India. Tel (91 22) 2288 2460/70 - Fax (91 22) 2282 6580

Member of National Stock Exchange of India Ltd. & Bombay Stock Exchange Ltd.

Capital Market : NSE Regn. No. INB 230773037, BSE Regn. No. INB 011286854

Futures & Options : NSE Regn. No. INF 230773037, BSE Regn. No. INF 010773035



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**For TATA METALIKS LIMITED**

*Sankar Bhattacharya*  
Sankar Bhattacharya  
Chief of Corporate Governance  
& Company Secretary

Financials (Rs mn)	FY 11	FY 12
Sales	11,87,531	13,22,574
EBITDA	1,59,956	1,24,168
EBIT	1,15,808	79,001
PAT	97,917	49,485

Tata Metaliks Limited, a subsidiary of Tata Steel limited, is engaged in the manufacture and sale of foundry grade pig iron. Its plants are located at Kharagpur in West Bengal and Redi in Maharashtra. It is listed on both, Bombay Stock Exchange Limited ('BSE') and National Stock Exchange of India Limited ('NSE') and has a current market cap of Rs 114 Cr.

It also had a joint venture with Japan-based companies Kubota Corporation and Metal One Corporation – Tata Metaliks Kubota Pipes Limited ("TMKPL") to manufacture Ductile Iron Pipes, which is now a fully owned subsidiary.

#### Shareholding pattern (as of Dec 12)

Promoter	50.10%
Public	49.90%
Institutions	3.41 %
FII	0.06 %
DII	3.35%
Non Institutions	46.49%

Number of Shares outstanding (as of Dec 12): 2,52,88,000

Financials (Rs mn)	FY 11	FY 12
Sales	13,395	12,262
EBITDA	403	(1,360)
EBIT	139	(1,629)
PAT	(209)	(1,352)

We understand that the Managements of TSL and TML (referred to as "companies") are proposing to merge TML and TMKPL into TSL, with effect from the Appointed Date of 1 April 2013. This is proposed to be achieved by a Scheme of Amalgamation under the provisions of Sections 391-394 of the Companies Act, 1956. (hereinafter referred to as the "Scheme of Amalgamation"). As part of the proposed merger, TML would be merged with TSL and cease to exist. We understand from the management that the shareholders of TML will be issued shares of TSL as consideration for the proposed merger of TML in TSL.

For the aforesaid purpose, the Management of TSL and TML have appointed S. R. Batliboi & Co. LLP ("SRBC") and Haribhakti & Co ("Haribhakti") respectively (jointly referred as "Valuers")

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For **TATA METALIKS LIMITED**

  
Sankar Bhattacharya  
Chief of Corporate Governance  
& Company Secretary



to prepare a joint valuation report on the fair exchange ratio for distribution of TSL shares to the shareholders of TML, to be placed before the audit committees of the Companies, as per the requirement of SEBI Circular CIR/CFD/DIL/5/2013 dated February 5, 2013.

In this connection we have been requested by the Companies to render our professional services by way of a fairness opinion from a financial point of view to the Board of Directors of TSL and TML through audit committee of the board as to whether the Merger Equity Share Entitlement Ratio, as recommended by the SRBC and Haribhakti, in their joint report dated April 10, 2013 and based on the valuation analysis carried out by them, which forms the basis for the Merger as per the aforesaid Scheme is fair and reasonable.

This report is intended only for the sole use and information of the Companies, and only in connection with the Merger including for the purpose of obtaining judicial and regulatory approvals for the Merger. We are not responsible in any way to any other person / party for any decision of such person or party based on this report. Any person / party intending to provide finance / invest in the shares / business of any of the Companies or their subsidiaries/joint ventures/associates 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 hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the Merger as aforesaid can be done only with our prior permission in writing. We acknowledge that this report will be shared to the extent as may be required, with the relevant High Court, stock exchanges, advisors of the Companies in relation to the Scheme, as well as with the statutory authorities.

As per Valuers' recommendation, the holders of outstanding equity shares of TML will receive Four (4) fully paid up equity shares of TSL with the face value of Rs. Ten (10) each for every Twenty Nine (29) fully paid up equity shares of TML with the face value of Rs. Ten (10) each ("Share Exchange Ratio")

#### **SOURCES OF INFORMATION**

In arriving at the opinion set forth below, we have relied on:

- (a) Discussions, workings and joint Valuation report from SRBC and Haribhakti dated 10<sup>th</sup> April 2013
- (b) Annual reports for the year ending 31 March 2010, 2011, 2012 of TML and TSL;
- (c) Unaudited standalone as well as consolidated financial statements for 9 months period ending 31 Dec 2012 of TML & TSL
- (d) Discussions with management of companies regarding current operations of companies, future plans, capital expenditure; and
- (e) Information, discussions (including orally) and documents as provided by Companies as well as SRBC and Haribhakti for purpose of this engagement;

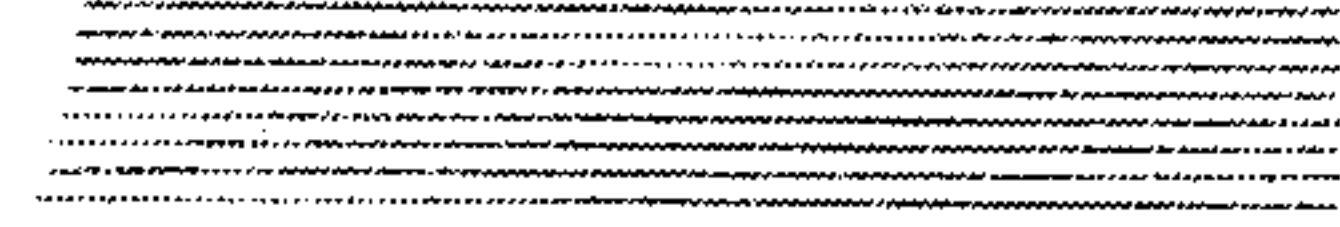
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**For TATA METALIKS LIMITED**

  
**Sankar Bhattacharya**  
Chief of Corporate Governance  
& Company Secretary







prices at which the equity shares of TSL will trade following the announcement of the Proposed Merger or as to the financial performance of TSL following the consummation of the Proposed Merger.

No investigation of the Companies' claim to title of assets has been made for the purpose of this exercise and the Companies' 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 whatsoever is assumed for matters of a legal nature. Our report is not and should not be construed as our opining or certifying the compliance of the Proposed Merger with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed merger.

We have not conducted or provided an analysis of due diligence or appraisal of the assets and liabilities of the Companies and have wholly relied on information provided by the Companies in that regard.

In the ordinary course of business, ICICI Securities Limited and its affiliates is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of the ICICI Securities Limited may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Scheme.

It is understood that this letter is for the benefit of and confidential use by the Board of Directors / Shareholders of TSL and TML for the purpose of this Proposed Merger and may not be relied upon by any other person and may not be used or disclosed for any other purpose without obtaining our prior written consent.

## **RATIONALE & CONCLUSION**

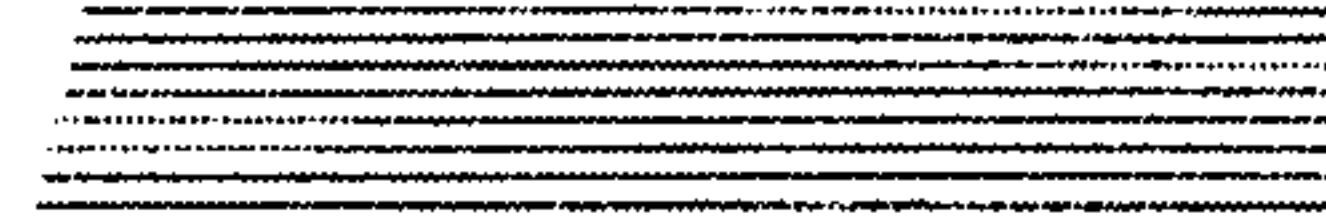
We are given to understand by the Companies that the Merger Equity Share Entitlement Ratio has been recommended by SRBC and Haribhakti, after keeping in mind various factors such as the serviceability of capital of the Proposed merged company taking into account the potential earning capacity of the business that would be carried on by the proposed company once the Scheme comes into effect;

In the circumstances, having regard to all relevant factors and on the basis of information and explanations given to us, we are of the opinion on the date hereof, that the proposed Equity Share Exchange Ratio as recommended by SRBC and Haribhakti, which forms the basis for the Proposed Merger, is fair and reasonable.

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**For TATA METALIKS LIMITED**

  
**Sankar Bhattacharya**  
Chief of Corporate Governance  
& Company Secretary



Yours faithfully,  
For ICICI Securities Limited,



Nikhil Dhirgira  
Vice President  
Investment Banking  
ICICI Securities  
Mumbai

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For **TATA METALIKS LIMITED**

  
Sankar Bhattacharya  
Chief of Corporate Governance  
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