

STRICTLY CONFIDENTIAL

May 15, 2017

The Audit Committee,  
**The Tata Power Company Limited**  
Bombay House,  
24, Homi Mody Street,  
Mumbai – 400 001,  
India

and

The Board of Directors,  
**The Tata Power Company Limited**  
Bombay House,  
24, Homi Mody Street,  
Mumbai – 400 001,  
India

Ladies / Gentlemen:

We refer to the engagement letter dated October 27, 2015 and extension letter dated October 25, 2016 (“**Engagement Letter**”) whereby The Tata Power Company Limited (“**Company**” or “**TPCL**”) has requested JM Financial Institutional Securities Limited (“**JM Financial**”), a SEBI registered merchant banker, to provide a fairness opinion to the Company based on the valuation report dated May 15, 2017 (“**Valuation Report**”) issued by Bansi S. Mehta & Co. (the “**Valuer**”) for the proposed slump sale of Renewable Energy Undertakings (as defined below) to Tata Power Renewable Energy Limited (“**TPREL**” or “**Transferee Company No. 1**”), a wholly owned subsidiary of TPCL, and 3 other subsidiaries (direct/ indirect) of TPCL, Supa Windfarm Limited, Nivede Windfarm Limited and Tata Power Green Energy Limited vide a scheme of arrangement under the provisions of Section 391 to Section 394 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013 (“**Proposed Scheme**”).

The Board of Directors of TPCL had approved a draft scheme of arrangement on November 9, 2015 for the proposed transfer of certain renewable energy undertakings of The Tata Power Company Limited to its direct/ indirect subsidiaries as a ‘going concern’ on a slump sale basis (“**Scheme of Arrangement**”). JM Financial had also issued fairness opinion dated November 6, 2015 to TPCL on the valuation report dated November 6, 2015 from S.R Batliboi & Co. for the said Scheme of Arrangement. Pursuant to the Securities Exchange Board of India (“**SEBI**”) circular CIR/CFD/CMD/16/2015 dated November 30, 2015 read with Clause 37 of the SEBI (Listing Obligations and Disclosure Requirements), 2015, BSE Limited and National Stock Exchange of India Limited had issued observation letters dated May 18, 2016 and May 17, 2016 respectively to The Tata Power Company Limited. TPCL and other companies party to the Scheme of Arrangement have filed necessary applications before the Hon’ble Bombay High Court/ Hon’ble National Company Law Tribunal, Mumbai Bench under sections 391 to 394 of the Companies Act, 1956 (now sections 230 - 232 of the Companies Act, 2013) and all other applicable provisions of the Companies Act, 1956 / 2013 and the said applications are currently pending hearing before the Hon’ble National Company Law Tribunal, Mumbai Bench.



We understand that certain modifications to the Scheme of Arrangement which would be captured in the Proposed Scheme are being considered by the Audit Committee and the Board of Directors of the Company.

### Company Background and Purpose

The Company is a public limited company incorporated under the Indian Companies Act VIII of 1913. The Company is, inter alia, engaged in the business of generation of electricity with presence in all the segments of the power sector viz. fuel and logistics, generation (thermal, hydro, solar and wind), transmission and distribution. The equity shares (“**Equity Shares**”) of the Company are listed on the BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**” and together with the BSE, the “**Stock Exchanges**”).

TPREL is engaged in the business of generation and sale of power from renewable energy sources in India. TPREL is a wholly owned subsidiary of the Company.

The Company has appointed the Valuer to give report on the net asset values of Renewable Energy Undertakings as on December 31, 2016 (“**Valuation**”) and has in terms of the Engagement Letter requested us to examine the Valuation Report issued by the Valuer and such other information provided by the Company and issue our independent opinion as to the fairness of the Valuation/ Consideration envisaged in the Proposed Scheme (“**Fairness Opinion**”) as per the requirements of SEBI circular no. CIR/CFD/CMD/15/2015 dated November 30, 2015 and SEBI circular no. CIR/DIL3/CIR/2017/21 dated March 10, 2017 as applicable.

All terms not specifically defined in this Fairness Opinion shall carry same meaning as in the Proposed Scheme.

### Brief Background of Proposed Scheme

The Company has certain clean and renewable energy units in the state of Maharashtra, Gujarat, Karnataka, Tamil Nadu and West Bengal which are being proposed to be transferred to TRPEL and its three wholly owned subsidiaries on a slump sale basis under the Proposed Scheme. The details of the same are as follows:

Undertaking	Projects covered under the respective undertaking
Renewable Energy Undertaking No. 1	(i) 11.3 MW wind project in Brahmanvel, Maharashtra; (ii) 50.4 MW wind project in Khandke, Maharashtra; (iii) 17.5 MW wind project in Sadawaghapur, Maharashtra; (iv) 50.4 MW wind project in Gadag, Karnataka; (v) 10 MW wind project in Visapur, Maharashtra; (vi) 49.5 MW wind project in Agaswadi, Maharashtra (vii) 50.4 MW wind project in Samana, Gujarat; (viii) 3 MW solar project in Mulshi, Maharashtra; and (ix) 99 MW wind project in Poolavadi, Tamil Nadu
Renewable Energy Undertaking No. 2	17 MW wind project in Supa, Maharashtra
Renewable Energy Undertaking No. 3	21 MW wind project in Nivede, Maharashtra
Renewable Energy Undertaking No. 4	120 MW production - waste heat recovery project in Haldia, West Bengal

Renewable Energy Undertaking No. 1, Renewable Energy Undertaking No. 2, Renewable Energy Undertaking No. 3 and Renewable Energy Undertaking No. 4 are together referred to as “**Renewable Energy Undertakings**”.



We understand that the Company is proposing to transfer Renewable Energy Undertaking No. 1 to TPREL (“**Transferee Company No. 1**”), Renewable Energy Undertaking No. 2 to Supa Windfarm Limited (“**Transferee Company No. 2**”), Renewable Energy Undertaking No. 3 to Nivade Windfarm Limited (“**Transferee Company No. 3**”) and Renewable Energy Undertaking No. 4 to Tata Power Green Energy Limited (“**Transferee Company No. 4**”) under the Proposed Scheme with effect from the appointed date which will be same as the effective date (“**Appointed Date**”). The details of the same are as follows:

<b>Transferor Company</b>	<b>Transferee Company</b>	<b>Project being transferred</b>	<b>Transferee Company to be referred as</b>
The Tata Power Company Limited	Tata Power Renewable Energy Limited	Renewable Energy Undertaking No. 1	Transferee Company No. 1
	Supa Windfarm Limited	Renewable Energy Undertaking No. 2	Transferee Company No. 2
	Nivade Windfarm Limited	Renewable Energy Undertaking No. 3	Transferee Company No. 3
	Tata Power Green Energy Limited	Renewable Energy Undertaking No. 4	Transferee Company No. 4

From the foregoing, it is evident that the ultimate interest in the Renewable Energy Undertakings continues to lie with the same set of shareholders. Further, we understand that TPCL is proposing the above transfer considering the net asset values and hence, the valuation is required as per Net Asset Value method and that in exchange of the said transfer, a lump sum consideration will be paid by the respective transferee companies to TPCL. Since the Appointed Date is in the future, TPCL has requested us to provide fairness opinion on an interim Valuation Report.

#### **Source of Information**

For the said examination and for arriving at the opinion set forth below, we have received:

1. Carved-out balance sheet of its Renewable Energy Undertakings as at December 31, 2016;
2. Draft of the Valuation Report issued by the Valuer; and
3. Draft of the Proposed Scheme.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the representatives of the Company.

#### **Scope Limitations**

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Company for the purposes of this Fairness Opinion. We express no opinion and accordingly accept no responsibility with respect to or for such information, or the assumptions on which it is based. We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of Company and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of Company, nor have we been furnished with any such appraisals. We have not reviewed any internal management information statements or any non-public reports, and instead, with your consent, have relied upon information that was publicly available or provided or otherwise made available to us by Company for the purposes of this Fairness Opinion. We are not experts in the evaluation of litigation or other actual or threatened claims and accordingly we have not evaluated any litigation or other actual or threatened claims. In addition, we have assumed that the Proposed Scheme will be approved by regulatory authorities and that the Proposed Scheme will be



consummated substantially in accordance with the terms set forth in the Proposed Scheme. We have assumed that there are no other contingent liabilities or circumstances that could materially affect the business or financial prospects of Company, other than those disclosed in the information provided or considered in the Proposed Scheme.

We understand that the management of Company and, during our discussion with them, would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Proposed Scheme, no restrictions will be imposed or there will be no delays that will have a material adverse effect on the benefits of the Proposed Scheme that may have been contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving Company or any of its assets, nor did we negotiate with any other party in this regard.

In the ordinary course of business, the JM Financial group 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 JM Financial group 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 Proposed Scheme.

We express no opinion whatever and make no recommendation at all as to Company's underlying decision to effect the Proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of Company should vote at their respective meetings held in connection with the Proposed Scheme. We do not express and should not be deemed to have expressed any views on any other terms of the Proposed Scheme. We also express no opinion and accordingly accept no responsibility for or as to the price at which the equity shares of Company will trade following the announcement of the Proposed Scheme or as to the financial performance of Company following the consummation of the Proposed Scheme.

### Conclusion

Based on our examination of the Valuation Report, such other information / undertakings / representations provided to us by the Company and our independent analysis and evaluation of such information and subject to the scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the consideration at which the Proposed Scheme envisages the transfer as detailed below, is fair to the Company.

Transferor Company	Transferee Company	Consideration (in INR crore)
The Tata Power Company Limited	Tata Power Renewable Energy Limited	242
	Supa Windfarm Limited	20
	Nivade Windfarm Limited	16
	Tata Power Green Energy Limited	0.0*

\* The consideration payable by Tata Power Green Energy Limited is INR 100 for the said transfer



### **Distribution of the Fairness Opinion**

The Fairness Opinion is addressed to the Audit Committee and the Board of Directors of the Company solely for the purpose of providing them with an independent opinion on the fairness of the Valuation as determined by the Valuer. The Fairness Opinion shall not be disclosed or referred to publicly or to any other third party, other than as required by Indian law (in which case you would provide us a prior written intimation) without our prior written consent. The Fairness Opinion should be read in totality and not in parts. Further this Fairness Opinion should not be used or quoted for any purpose. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

Yours truly,

**For JM Financial Institutional Securities Limited**

A handwritten signature in blue ink, appearing to read "Chunappa Reddy", written over a horizontal line.

Authorized Signatory