

February 5<sup>th</sup>, 2015

**The Board of Directors**  
**The Tata Power Company Limited,**  
Corporate Center B,  
34 Sant Tukaram Road,  
Carnac Bunder, Mumbai 400 009

**Sub: Fairness opinion on the proposed amalgamation of Chemical Terminal Trombay Limited ('CTTL') with The Tata Power Company Limited ('TPCL') pursuant to the scheme of amalgamation under Sections 391 – 394 of the Companies Act, 1956**

Dear Sirs,

We refer to the engagement letter dated January 30, 2015 with Karvy Investor Services Limited (hereinafter referred to as "KISL"), wherein TPCL has requested us to provide fairness opinion on the scheme of amalgamation in relation to the amalgamation of CTTL with TPCL.

## **1. BACKGROUND OF THE COMPANIES**

### **1.1 Chemical Terminal Trombay Limited ('CTTL')**

**Chemical Terminal Trombay Limited ('CTTL')**, a company incorporated under the provisions of the Companies Act, 1956 having its registered office at Pir Pau Installation, Near MbPT Pump House, Behind Tata Power Company's Unit V Power Station, Trombay, Chembur, Mumbai – 400 074 ("Transferor Company"). Transferor Company is, inter alia, engaged in the business providing bulk storage facility of liquid chemicals and petroleum products apart from coal handling operations, fly ash disposal management services and generation of electricity by renewable energy resources. The Transferor Company is an unlisted company.

The Transferor Company is the wholly owned subsidiary of the Transferee Company.

### **1.2 The Tata Power Company Limited ('TPCL')**

**The Tata Power Company Limited ('TPCL')**, a company incorporated under the provisions of the Companies Act, VII of 1913 having its registered office at Bombay House, 24, Homi Mody Street, Mumbai 400 001; Transferee 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 Transferee Company is a listed company, having its equity shares listed on BSE Limited and the National Stock Exchange of India,

## **2. SCOPE AND PURPOSE OF THIS REPORT**

2.1 We understand that the Board of Directors of CTTL and TPCL are proposing to amalgamate CTTL with TPCL under a scheme of arrangement under the provisions of Sections 391-394 of the Companies Act, 1956 (hereinafter referred to as the "Scheme of Amalgamation").



### **Karvy Investor Services Limited**

701, Hallmark Business Plaza, Sant Dhyaneswar Marg, Bandra (E), Mumbai - 400051  
Tel: +91 22 61491500 | Fax: +91 22 61491515 | Email: cmg@karvy.com / igmbd@karvy.com | www.karvy.com  
Regd. Office: 'Karvy House', 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034.  
T: +91 40 2342 8774 / 2331 2454 | F: +91 2337 4714/ 2331 1968  
CIN No. U67120TG1997PLC026253 | SEBI Registration No. MB/INM000008365



CTTL is a wholly owned subsidiary of TPCL and TPCL along with nominee shareholders hold all the shares issued by CTTL. On the amalgamation of CTTL with TPCL, no shares of TPCL shall be issued or allotted in respect of the holding of the TPCL in CTTL.

- 2.2 In consideration of the transfer of entire business and the whole of the undertakings of the transferor company as a going concern, all its assets, rights, licenses and powers, and all its debts, outstandings, liabilities, duties and obligations pursuant to the Scheme of Amalgamation, the entire share capital of CTTL held by TPCL along with the nominee shareholders shall stand cancelled. As far as the creditors of the Transferor Company are concerned, the assets of the Transferee Company after amalgamation will be higher than the liabilities.
- 2.3 In this connection, the management of TPCL has engaged KISL to submit a report on the fairness of the Scheme of Amalgamation as per the requirements of Securities and Exchange Board of India Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with Circular No. CIR/CFD/DIL/8/2013 dated May 21 2013 and listing agreement entered by TPCL with BSE Limited and the National Stock Exchange of India Limited. Our scope of work includes commenting only on the fairness of the Scheme of Amalgamation.
- 2.4 This report is subject to the scope, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. This report has been issued only for the purpose of facilitating the amalgamation of CTTL with TPCL and should not be used for any other purpose.

### 3. SOURCES OF INFORMATION

We have relied on the following information for framing our opinion on the fairness of the Scheme of Amalgamation:

- a) Draft Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956 between CTTL and TPCL.
- b) Audited financials of CTTL and TPCL for financial years 2011-12, 2012-13 and 2013-14.
- c) Other relevant information regarding CTTL and TPCL.

### 4. RATIONALE AND KEY FEATURES OF SCHEME OF AMALGAMATION

- 4.1 The Transferor Company is a wholly owned subsidiary of the Transferee Company. A consolidation of the Transferor Company and the Transferee Company by way of amalgamation would therefore lead to a more efficient utilization of capital and create a consolidated base for future growth of the amalgamated entity.
- 4.2 The proposed amalgamation will result in administrative and operational rationalization, organizational efficiencies, reduction in overheads and other expenses and optimal utilization of various resources. It will prevent cost duplication that can erode financial efficiencies of the holding structure and the resultant operations would be substantially cost-efficient. Consequently, the Transferee Company will offer a strong financial structure to all creditors including the creditors of the Transferor Company, facilitate resource mobilization and achieve better cash flows.







The synergies created by the amalgamation would increase operational efficiency and integrate business functions.

4.3 The proposed amalgamation will reduce managerial overlaps, which are necessarily involved in running multiple entities.

## 5 LIMITATIONS OF SCOPE AND REVIEW

- 5.1 Our Opinion and analysis is limited to the extent of review of documents as provided to us by TPCL and the Scheme of Amalgamation approved by the Board of Directors of CTTL and TPCL.
- 5.2 We have relied upon the accuracy and completeness of all information and documents provided to us, without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not reviewed any financial forecasts relating to CTTL and TPCL. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of CTTL and TPCL. In particular, we do not express any opinion as to the value of any asset of CTTL or TPCL, its subsidiaries, whether at current prices or in the future.
- 5.3 We do not express any opinion as to the price at which shares of TPCL may trade at any time, including subsequent to the date of this opinion. In rendering our opinion, we have assumed, that the Scheme of Amalgamation will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme of Amalgamation, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on CTTL, TPCL and its subsidiaries and respective shareholders.
- 5.4 We do not express any opinion as to any tax or other consequences that might arise from the Scheme of Amalgamation on CTTL or TPCL or their subsidiaries and their respective shareholders, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Companies have obtained such advice as it deemed necessary from qualified professionals.
- 5.5 We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. Our opinion is specific to the amalgamation of CTTL with TPCL as contemplated in the Scheme of Amalgamation provided to us and is not valid for any other purpose.
- 5.6 We have in the past provided, and may currently or in the future provide, investment banking services to TPCL and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme of Amalgamation, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of KISL may actively trade in the securities of the TPCL or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the opinion expressed herein are for the use of the Board of Directors of TPCL in connection with the consideration of the Scheme of Amalgamation and for none other. Neither KISL, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.





5.7 Our opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme of Amalgamation or any matter related thereto.

## 6 VALUATION REPORT

In the proposed Scheme of Amalgamation, the entire share capital of CTTL held by TPCL along with the nominee shareholders shall stand cancelled and there shall not be any change in the shareholding pattern of TPCL.

As per point 4.2 of SEBI Circular dated CIR/CFD/DIL/8/2013 dated May 21, 2013 to be read with SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013, 'Valuation Report from an Independent Chartered Accountant' need not be required in cases where there is no change in the shareholding pattern of the listed company.

Based on the above stated points, the Company has not obtained any Valuation Report from an Independent Chartered Accountant for the Scheme of Amalgamation.

## 7 OPINION

On the basis of our Scope and Limitations mentioned in this report and considering the Rationale of the Scheme of Amalgamation, the Scheme of Amalgamation of CTTL with TPCL, in our opinion is fair.

For Karvy Investor Services Limited



G Vijayanand

Head- Investment Banking