



Investment Banking

February 12, 2018

The Audit Committee and Board of Directors

Tata Power Ltd.
Bombay House
24, Homi Mody Street
Mumbai - 400 001

Dear Sirs,

Certified True Copy
The Tata Power Company Limited
Him Mustaj
Company Secretary

Sub: Providing Fairness Opinion to Tata Power Company Ltd. ('TPL') for the Proposed Sale of Tata Power Strategic Engineering Division ('SED') on a slump sale basis to Tata Advanced Systems Ltd. ('TASL') pursuant to a proposed Scheme of Arrangement under Sections 230 – 232 of Companies Act 2013 ('Proposed Transaction')

TPL has requested us to issue a fairness opinion ("Opinion") from a financial point of view of the Transaction Consideration (as defined below) of SED in relation to the Proposed Transaction vide its engagement letter dated November 1st, 2017 and subject to the terms and conditions mentioned therein.

Proposed Transaction background: TPL & TASL are proposing to enter into an agreement for sale of SED on a slump sale basis to TASL pursuant to a proposed Scheme of Arrangement under sections 230-232 of Companies Act 2013 for an upfront consideration of INR 1,040 cr. and an earn-out based consideration of INR 1,190 cr. based on Identified projects ("Transaction Consideration"). Transaction Consideration is at an enterprise level without any adjustment for debt and cash.

Our scope is restricted to providing an Opinion on the Transaction Consideration of SED.

In arriving at our Opinion, we have reviewed historical and future financial and limited business projections of SED. We have also looked at the report titled – "Inputs for valuation for carve-out of asset and capex & ADP strategy" prepared by Roland Berger dated August 2nd 2017, reviewed certain publicly available information and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions. We have also reviewed the valuation report issued to SED by PriceWaterhouseCoopers Private Limited ("PWC") dated February 12, 2018.

We have had discussions with members of the management of the SED in the past and current business operations of the concerned businesses, their future prospects and operations, and have received management representation letter from TPL dated February 12, 2018 ("Management Representation Letters")

Further, we have had discussions with PWC, the valuer, on such matters which we believed were necessary or appropriate for the purpose of issuing this Opinion.

Kotak Mahindra Capital Company Limited

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Investment Banking

Based on our examination and according to the information and explanation provided to us, we note that the Proposed Transaction entails transfer of SED to TASL from TPL.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge TPL, TASL and SED to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment. We have further assumed that the Transaction would be carried out in compliance with applicable laws, rules and regulations.

In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in verbal or written form, discussed with or reviewed by or for us, or publicly available. We have been given to understand that all information required by us that was relevant for the purpose of our exercise was disclosed to us. We have not conducted any evaluation or appraisal of any assets or liabilities of SED nor have we evaluated the solvency or fair value of SED, under any laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of SED.

Our Opinion does not factor overall economic environment risk, material adverse change and other risks and is purely based on the information and representations provided to us.

We express no view as to, and our Opinion does not address, the underlying business decision of SED to effect the Proposed Transaction or the merits of the Proposed Transaction. Our Opinion does not constitute a recommendation to any shareholder or creditor of TASL or TPL as to how such shareholder or creditor should vote on the Proposed Transaction or any matter related thereto.

Our Opinion is necessarily based on financial, economic, market and other conditions as in effect on the date of this issuing the Opinion, and the information made available to us as of, the date hereof, including the capital structure of SED.

We will receive a fee for our services in connection with the delivery of this Opinion from TPL. In addition, TPL has agreed to indemnify us from any claims arising from any material misstatements or omissions in any information supplied by TPL or in relation to our engagement in providing the Opinion.

We and our affiliates in the past five years have provided, and currently provide, services to TPL and TASL and their affiliates unrelated to the Proposed Transaction for which services we and such affiliates have received and expect to receive compensation, including, without limitation as creditors and as financial advisors for the purchase/sale of assets/businesses/securities by/to TPL and TASL and their associates).

In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of

13





Investment Banking

our customers and, accordingly, may at any time hold long or short position in such securities. In addition, we and our affiliates maintain relationships with TPL and TASL and their respective affiliates.

This Opinion is provided solely for the benefit of the Audit committee & the Board of Directors of TPL, and shall not confer rights or remedies upon, any shareholder of TPL, SED or any other person other than the members of the Audit committee & the Board of Directors of TPL, or be used for any other purpose. This Opinion may not be used or relied upon by nor is it issued for the benefit of any third party for any purpose whatsoever or disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. We specifically disclaim any responsibility to any third party to whom this Letter may be shown or who may acquire a copy of this Letter.

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance, and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion the courts of competent jurisdiction in India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, it is our view that, as of the date hereof, the proposed Transaction Consideration is Fair from a financial point of view.

Yours faithfully,

For Kotak Mahindra Capital Company Limited

A handwritten signature in blue ink, appearing to be "R. K. Singh", written over a horizontal line.

Authorised Signatory

