ANNEXURE 4A

Price Waterhouse & Co LLP

Chartered Accountants

Certified True Copy
The Tata Power Company Limited
[signature]
Company Secretary

Date: 12 February 2018

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

Sub: Valuation of Tata Power Strategic Engineering Division (Tata Power SED)

Dear Sirs,

We refer to the work order dated 28 June 2017 and subsequent discussions we had with you, whereby, The Tata Power Company Limited has requested Price Waterhouse & Co LLP ('PW&Co') to carry out the valuation of Tata Power SED as at 30 September 2017.

PW&Co has been hereafter referred to as 'Valuer' or 'we' or 'us' in this Report ('Valuation Report' or 'Report').

SCOPE AND PURPOSE OF THIS REPORT

The Tata Power Company Limited ('TPCL') is India's largest integrated power company with growing international presence. TPCL with its subsidiaries and jointly controlled entities has an installed gross generation capacity of ~10,549 MW and presence in all the segments of power sector viz. fuel security and logistics, generation (thermal, hydro, solar and wind), transmission, distribution and trading. The equity shares of TPCL are listed on BSE Limited and National Stock Exchange of India Limited.

TPCL's Strategic Engineering Division ('Tata Power SED'), is primarily engaged in designing, development, integration, supply and life-cycle support of mission critical defence systems. Tata Power SED has partnered with the Ministry of Defence ('MoD'), the Armed Forces, and Defence Public Sector Undertakings ('DPSUs') for the development and supply of technology solutions. Tata Power SED has a dedicated R&D setup in Mumbai and a production facility in Bangalore.

We understand that the management of TPCL ('Management') is evaluating a proposal for sale of Tata Power SED on a slump sale basis pursuant to a proposed Scheme of Arrangement under Sections 230 – 232 of the Companies Act, 2013 ('Proposed Transaction'). For the aforesaid purpose, TPCL has requested PW&Co to carry out a valuation of Tata Power SED comprising of the following projects as listed below (herein after referred to as 'Specified Projects'), as at 30 September 2017 ('Valuation Date').

- Category A&B Projects;
- Tactical Communication System ('TCS');
- Battlefield Management System ('BMS');
- 30 mm AD Gun;
- Electronics Warfare ('EW');
- Close-in weapon system ('CIWS'); and
- Comprehensive Integrated Border Management System ('CIBMS').

As agreed with you, we have presented the Valuation of Tata Power SED at enterprise level and accordingly, no adjustment for debt and cash has been carried out. Further for our analysis, we have valued the above Specified Projects individually, and the value of Tata Power SED has been considered as an aggregate of the values of Specified Projects.

We have been provided with carved out historical financial information for Tata Power SED and the Specified Projects up to 30 September 2017. Our analysis does not factor impact of any event which is unusual or not in normal course of business. We have relied on the above while carrying out the Valuation.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management and / or gathered from public domain:

- Unaudited carved out financial statements/ MIS of Tata Power SED/ Specified Projects for the three years ended 31 March 2017 and for the period ended 30 September 2017;
- Projected income and expenses and assets and liabilities of Tata Power SED and the Specified Projects, including key underlying assumptions as prepared by the Management, which the Management believes to be its best estimates as to the expected future operating performance of Tata Power SED and the Specified Projects ('Financial Projections');
- Report titled - "Inputs for valuation for carve-out of assets and capex & ADP strategy" by Roland Berger, dated 2 August 2017 ('Roland Berger Report');
- Interviews and correspondence with the Management;
- Secondary research and market data on comparable companies and information on recent transactions, to the extent readily available; and
- Such other analysis, reviews and enquiries, as we considered relevant.

TPCL has been provided with the opportunity to review the draft report as a part of our standard practice, to make sure that factual inaccuracies / omissions are avoided in our final report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) the financial statements of Tata Power SED and the Specified Projects as at 30 September 2017, and other information provided by the Management on key events after 30 September 2017 till the date of the Report.

The Management has represented that the business activities of Tata Power SED have been carried out in the normal and ordinary course between 30 September 2017 and the Report date and that no material adverse change has occurred in the operations and financial position between 30 September 2017 and the Report date.

The Tata Power Company Limited

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An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events and transactions occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheet but which will strongly influence the worth of a share / business. This concept is also recognised in judicial decisions.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by TPCL (or its executives / representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation will however not be used for advising anybody to take a buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

The Valuation is required solely for non-financial reporting purposes and would not be used to determine the carrying value of the relevant assets / (liability) in any financial statement that PW&Co / PricewaterhouseCoopers ('PwC') network entities would be auditing.

Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single undisputed value. While we have provided our recommendation of the Valuation based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for value at which the Proposed Transaction shall take place will be with the Board of Directors of TPCL, who should take into account other factors such as their own assessment of the proposed Transaction and input of other advisors.

Valuation is based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates, and the variations may be material. Consequently, this information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. We express no opinion as to how closely the actual results will correspond to the results projected.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and was considered as part of our analysis for this Report and (ii) the accuracy of information made available to us by TPCL. In accordance with our work order and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by TPCL. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from TPCL, we have been given to understand by the Management of TPCL that they have not omitted any relevant and material factors about the Specified Projects/ Tata Power SED. Our

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conclusions are based on the assumptions and information given by / on behalf of TPCL and reliance on public information. The Management of TPCL has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results. Accordingly, we assume no responsibility for any errors in the information furnished by TPCL and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially incorrect or would not afford reasonable grounds upon which to base the Report.

The Report assumes that TPCL / Tata Power SED complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that Tata Power SED will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited / unaudited carved out balance sheet of Tata Power SED. Our conclusion of value assumes that the assets and liabilities of Tata Power SED, reflected in its latest balance sheet remain intact as of the Report date.

Our scope of work did not include checking the adequacy of the carved out financial statements of Tata Power SED and the Specified Projects and this is the responsibility of the Management and we have assumed these to be correct.

We are not advisors with respect to accounting, legal, tax and regulatory matters for the proposed Transaction. This Report does not look into the business / commercial reasons behind the proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the proposed Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of Tata Power SED's claim to title of assets has been made for the purpose of this Report and Tata Power SED's 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.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Board of Directors of TPCL that has appointed us under the terms of our work order and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to TPCL. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on the part of TPCL, its directors, employees or agents. Unless specifically agreed, in no circumstances shall the liability of the Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report exceed the amount paid to the Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Valuation. This Report is not a substitute for the third party's own due diligence / appraisal / enquiries / independent advice that the third party should undertake for his purpose.

This Valuation Report is subject to the laws of India.

Neither the Valuation Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement

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or document given to third parties, other than in connection with the proposed Scheme, without our prior written consent except for disclosures to be made to relevant regulatory authorities including Registrar of Companies and National Company Law Tribunal and other judicial, regulatory or government authorities, in connection with the Transaction. In addition, this Report does not in any manner address the prices at which equity shares of TPCL may trade following announcement of the proposed Transaction and we express no opinion or recommendation as to how the shareholders of TPCL should vote at any shareholders' meeting(s) to be held in connection with the proposed Transaction.

APPROACH & METHODOLOGY

It should be understood that the valuation of any company / business or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of TPCL. Further, this Valuation will fluctuate with lapse of time, changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of Tata Power SED, and other factors which generally influence the valuation of companies and their assets.

The following are commonly used and accepted methods for determining the value of the equity shares of a company / business:

1. Market Approach
   a. Market Price method
   b. Comparable Companies Quoted Multiples method
   c. Comparable Companies Transaction Multiples method
2. Income Approach – Discounted Cash Flows method
3. Asset Approach – Net Asset Value method

1. Market Approach

a. Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share, especially where the market values are fluctuating in a volatile capital market. Further, in the case of an amalgamation, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Tata Power SED, being a division, does not have equity shares listed on any recognised stock exchange in India. Accordingly, the Market Price Method has not been adopted for the Valuation.

b. Comparable Companies' Quoted Multiple ('CCM') Method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations 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. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

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There are certain listed companies in India whose operations include supply of equipment and solutions in the defence sector, most of these companies are very large in size and have diversified operations. Given this background, we have not adopted the CCM approach for the purpose of the Valuation.

c. Comparable Companies' Transaction Multiple ('CTM') Method

Under this method, value of the equity shares of a company / business is arrived at by using multiples derived from valuations in comparable companies, as manifest through transaction valuations. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

The CTM approach has not been adopted for the purpose of our analysis as there have been limited transactions in the Indian defense sector in the recent past. Also, transaction multiples may include acquirer-specific considerations such as synergy benefits, control premium and minority adjustments, on which sufficient information is not available in the public domain.

2. Income Approach – Discounted Cash Flows ('DCF') Method

Under the DCF method, the projected free cash flows to the business are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's capital and debt.

Appropriate discount rate to be applied to cash flows i.e. the weighted average cost of capital:

This discount rate, which is applied to the free cash flows to the firm, should reflect the opportunity cost to the debt providers and equity capital providers (namely shareholders). The opportunity cost to the equity capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk. Cost of debt is typically based on market rates.

As mentioned above, for our analysis, we have valued the above Specified Projects individually, and the value of Tata Power SED has been considered as an aggregate of the values of Specified Projects.

We have been provided with projected financial information for each of the Specified Projects, by the Management and have adopted the DCF method under the Income Approach, for carrying out the valuation of the Specified Projects, the purpose of our analysis. For the purpose of DCF valuation, the free cash flow forecasts are based on Financial Projections as provided by the Management. While carrying out this engagement, we have relied extensively on historical information made available to us by the Management and the Financial Projections for future related information. We did not carry out any validation procedures or due diligence with respect to the information provided / extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the Financial Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

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3. Asset Approach – Net Asset Value ('NAV') Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base exceed earnings capability. Accordingly, NAV has not been considered for valuing the Tata Power SED/ the Specified Projects.

VALUATION

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 purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature. The basis of the Transaction would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove.

The Valuation is based on the methodologies explained herein earlier and various qualitative factors relevant to each of the Specified Projects of Tata Power SED, including the business dynamics and growth potential of the businesses of the Specified Projects, having regard to information, key underlying assumptions and limitations.

Based on the above and considering the various inputs and explanations provided by the Management, on which we have relied, the Valuation of various Specified Projects comprised in Tata Power SED is estimated as follows:

INR in crores

Specified Project	Value estimates
Category A&B Projects	1,038
TCS	71
BMS	284
30 mm AD Gun	71
EW	119
CIWS	82
CIBMS	113
Value of Tata Power SED	**1,780**

Respectfully submitted,

Rajan Wadhawan
Partner
Membership Number: 090172
For and on behalf of
Price Waterhouse & Co LLP
ICAI FRN: 016844N
LLP No. AAC-273

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Price Waterhouse & Co LLP
Chartered Accountants

Annex 1

INR in crores

Valuation Approach	Applied/ Not Applied	Enterprise Value	
Net Asset Value	Not Applied	-	^
Comparable Companies' Quoted Multiple	Not Applied	-	^^
Comparable Companies' Transaction Multiple	Not Applied	-	^^^
Discounted Cash Flow	Category A&B Projects	1,038	
	TCS	71	
	BMS	284	
	30 mm AD Gun	71	
	EW	119	
	CIWS	82	
	CIBMS	113	
Value of Tata Power SED		**1,780**	

^ NAV method has not been considered as the valuation of Tata Power SED/ Specified Projects has been carried out on going concern basis.

^^ Given diverse nature and large size of existing defence companies in India vis-à-vis nature of the projects / business of Tata Power SED, CCM method has not been considered for our Valuation.

^^^ CTM method has not been considered as there have been limited transactions in the Indian defense sector in the recent past. Further, transaction multiples may include acquirer-specific considerations such as synergy benefits, control premium and minority adjustments, on which sufficient information may not be available in the public domain.

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The Tata Power Company Limited

ANNEXURE 4B

REPORT ON

VALUATION OF

TATA POWER STRATEGIC ENGINEERING DIVISION

OF

THE TATA POWER COMPANY LIMITED

ACCOUNTANTS' REPORT

BANSI S. MEHTA & CO.
Chartered Accountants
Merchant Chamber, 3rd Floor
41, New Marine Lines
Mumbai – 400 020.

Certified True Copy
The Tata Power Company Limited

Company Secretary

CONTENTS

BANSI S. MEHTA & CO. MUMBAI CHARTERED ACCOUNTANTS

The Tata Power Company Limited

1. Introduction and Brief History

1.1. Background and Terms of Engagement

The Tata Power Company Limited ("TPCL") is an integrated power company with a significant international presence. The company together with subsidiaries and jointly controlled entities has an installed gross generation capacity of 10699 MW and a presence in all the segments of the power sector viz. Fuel security and Logistics, Generation (thermal, hydro, solar and wind), Transmission, Distribution and Trading. The equity shares of TPCL are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

TPCL is also a private sector player in the indigenous design, development, production, integration, supply and life cycle support of mission critical defence systems. It carries out these operations through the TPSED. It is understood from the Management of TPCL that TPSED is a prime contractor of defence in India with dedicated R&D setup in Mumbai and production facility in Bangalore.

There is a proposal before the Boards of Directors of TPCL to transfer the Tata Power Strategic Engineering Division of TPCL ("TPSED" or "the Undertaking"), as a going concern, to Tata Sons Limited.

It may herein be noted that the business of TPSED can be segregated into the following two categories.

- Category A and B - The projects under this category are either there on hand with the Undertaking, or in the opinion of the Management, there is a high probability of attaining the same going forward. This is based on the existing business of the Company. As provided by the Management, the following projects fall under this category:
    - Akash Army Launchers ("AAL")
    - Akash Air Force Launchers ("AAFL")
    - Pinaka Launchers
    - Electronic Warfare Systems("EWS")
    - Transport-cum-Tilting ("TCT") Agni
    - Advanced Towed Artillery Gun System ("ATAGS")
    - Airport Surveillance Radar with MSSR
    - Modernization of Air Field Infrastructure ("MAFI") 1& 2
    - Medium Range Surface-to-Air Missile ("MRSAM")
    - Offsets
    - 3D Air Surveillance Radar
    - Portable Diver Detection Sonar
    - Optronics
    - MAFI AMC's

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The Tata Power Company Limited

  - Other AMC's

- Other Projects: These are projects for which the probability of securing the same is low. The projects provided to us, under this category are as follows:
  - 30 mm Air Defence Gun[1] ("AD Gun")
  - Electronic Warfare ("EW")
  - Battlefield Management System ("BMS")
  - Tactical Communications System ("TCS")
  - Close-in Weapon System ("CIWS")
  - Comprehensive Integrated Border Management System ("CIBMS")

It may be noted that based on the commercial understanding between the Parties (TPCL and Tata Sons Limited), the consideration for the transfer of TPSED would be discharged immediately for projects in Category A and B whilst the consideration towards other projects would be dependent on their crystallization.

We have been approached by the management to determine the Enterprise Value of the following as at October 31, 2017 ("the Valuation Date"):

- all the projects under Category A and B; and
- each of the other Projects as mentioned above

This report ("**Report**") sets out the findings of our exercise.

BANSI S. MEHTA & CO. MUMBAI CHARTERED ACCOUNTANTS

The Tata Power Company Limited

[1] It is understood from the Management that, if the project is received, it would be an ongoing project (i.e. perpetual)

2. Data obtained

2.1. We have called for and obtained such data, information, etc. as were necessary for the purpose of our assignment, which have been, as far as possible, made available to us by the Management. **Appendix A** hereto broadly summarizes the data obtained.

2.2. For the purpose of our assignment, we have relied on such data summarized in the said Appendix and other related information and explanations provided to us in this regard.

3. Approach to Valuation

3.1. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or an approach that is suitable for the purpose. Besides, Courts in India have, over a period of time, evolved certain guiding principles, the most leading case being the decision of the Supreme Court in Hindustan Lever Employee's Union vs. Hindustan Lever Limited and Others [(1995) 83 Company Cases 30].

3.2. That decision endorses that a fair and proper approach for valuation of shares of companies would be to use a combination of various approaches which in that case were:

- Market Value ("**MV**") Approach;
- Net Asset Value ("**Asset Based**") Approach; and
- Earnings Capitalization Value ("**Earnings**") Approach

3.3. Another accepted approach to valuation is to look at the future cash flows of the funds, so as to arrive at a valuation that would, primarily, be based on the present value of such future cash flows by discounting such future cash flows using an appropriate rate of discounting. This method of valuation is popularly known as the Discounted Cash Flows Approach ("the DCF Approach").

3.4. The applicability of each of the above methods in context of the given valuation is discussed as follows:

3.4.1. Earnings Approach:

Under the Earnings Approach, we arrive at a fair value of the business based on the maintainable earnings of the business as at the Valuation Date. It may be noted that he business of TPSED is project/contract based, and the past earnings are therefore, not indicative of its future performance and thereby, cannot be treated as maintainable. Thus, in the current case, we have considered it inappropriate to use the Earnings Method to arrive at the business value of TPSED.

3.4.2. MV Approach:

Under the MV Approach, we arrive at a fair value of the shares considering the volume weighted average price of the shares being valued, over a period of time. Though the equity shares of TPCL are listed over two stock exchanges, in the current case only TPSED of TPCL is getting transferred. Market value is not separately available for the said business per se and therefore, MV Approach cannot be applied.

3.4.3. NAV Approach:

This approach involves determining the value based on the assets and liabilities of the Company. As specified earlier, the business of TPSED is project/contract based. Further, the company is still expanding considering the Government's Make in India campaign launched and initiated since September 2014. The current asset base of the company is not reflective of the maintainable level of assets required, considering the potential of this business.

3.4.4. DCF Approach:

3.4.4.1. Under the DCF Approach, the future cash flows are appropriately discounted to arrive at a value of the enterprise on a going concern basis.

3.4.4.2. We have been provided with the projected financial statements for projects under Category A and B as well as each of the other Projects. We received the initial

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projected financial information of TPSED as provided by the Management to derive the value under the DCF Approach.

The steps undertaken for arriving at the value of projects under Category A&B as well as each of the Other Projects are broadly described hereunder:

3.4.4.2.1. The key future target programs for SED have been divided into four categories, based on their winning probability (Figures in Rs Crores except mentioned otherwise):

Target Programs	Win Probability (%)
Category A (Pinaka & Akash Missile launchers, MAFI, PDDS etc.)	>75%
Make Programmes (TCS, BMS)	>75%
Category B (Radars, Airforce Launchers etc.)	50-75%
Category C (Air Defense Guns, Electronic Warfare etc.)	<50%

3.4.4.2.2. We have considered the Operating Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the projected period.

3.4.4.2.3. EBITDA has then been adjusted by the projected capital outlays, projected increase or decrease in working capital and projected tax outflow so as to arrive at the "Free Cash Flows" available in the respective future years.

3.4.4.2.4. Perpetuity beyond the projected period is considered for category A&B and Category C (Considered AD Gun & EW), as it is understood from the Management that projects under Category A B & C would continue on an ongoing basis. Perpetuity has not been considered for the remaining specific projects including Make programs as the same would not be on an ongoing basis but only for contractual period. For these contractual projects, the realizable value, based on the projected book values, has been considered at the end of the contract period.

3.4.4.2.5. Free Cash Flows for the projected years and the perpetuity value are discounted using the Weighted Average Cost of Capital ("WACC") as the discounting factor to arrive at their Net Present Value ("NPV") as at the Valuation Date. A premium has been applied to WACC for Other Projects in order to factor the execution risk as similar business, has not been carried out by the Undertaking in the past.

3.4.4.2.6. The aggregate of such NPV of free cash flows for each of the years in the projected period and perpetuity value (if any) is the Enterprise Value.

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4. Observations and Conclusion

Based on the foregoing data, considerations and following the aforesaid steps, the Enterprise value of the Undertaking as at October 31, 2017 is as follows:

Particulars	Amount (Rs. in Crores)
Category A and B	1,027.64
AD Gun	63.56
EW	105.35
BMS	294.69
TCS	84.27
CIWS	74.56
CIBMS	91.19
Enterprise Value	**1,741.26**

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5. Limitations and Disclaimers

5.1. Our report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts.

5.2. Our valuation is based on the information furnished to us being complete and accurate in all material respects.

5.3. We have relied on the written representations from the Management that the information contained in this report is materially accurate and complete in the manner of its portrayal and therefore forms a reliable basis for the valuation.

5.4. The information presented in our report does not reflect the outcome of any financial due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the Valuation materially.

5.5. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any of the historical information used and therefore, we do not express any opinion with regard to the same. However, we have examined the projections provided by the Management for their acceptability before using the same for valuation.

5.6. We have relied on the judgment of the Management as regards contingent and other liabilities. Accordingly, our valuation does not consider the assumption of contingent liabilities other than those given to us as likely to crystallize. If there were any omissions, inaccuracies or misrepresentations of the information provided to us, it may have the effect on our valuation computations.

5.7. No investigation of the Company's claim 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. Our report is not, nor should it be construed, as our opining or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.

5.8. Our Report is meant for the specific purpose mentioned herein and should not be used for any purpose other than the purpose mentioned herein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared and for any regulatory or legal purpose

5.9. We have no obligation to update this report because of events or transactions occurring subsequent to the date of this report.

BANSI S. MEHTA & CO. MUMBAI CHARTERED ACCOUNTANTS

The Tata Power Company Limited

6. Gratitude

We are grateful to the Management for making information and particulars available to us, often at a short notice, without which our assignment would not have been concluded in a time-bound manner.

PLACE: MUMBAI

BANSI S. MEHTA & CO.

Bansi S. Mehta & Co.

CHARTERED ACCOUNTANTS

DATE: 12 FEB 2018

Appendix A: Broad Summary Of Data Obtained

From the Management:

1. Projected financials for the business & Projects.

2. Research report issued by Roland Berger on business projections of TPSED.

3. Assumptions for the Projected Financial Statements referred to above.

4. Unaudited Divisional Financial Statements for the period ended October31, 2017.

5. Answers to specific questions and issues raised by us to the Management after examining the foregoing data.

From publicly available sources :

1. Quantity of shares traded and Traded Turnover of equity shares of the Comparable Companies on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. Data of Comparable Companies from the database of ACE TP, Google finance and Ashwath Damodaran.

3. Risk Free Interest rate from RBI website.

4. Audited financial statements of comparable companies.

5. Risk Premium from Database of Ashwath Damodaran