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**Dated: November 12, 2013**

**The Board of Directors  
Tata Global Beverages Limited  
1 Bishop Lefroy Road,  
Kolkata - 700 020.**

**The Board of Directors  
Mount Everest Mineral Water Limited  
Dhaulta Kuan, Sirmour,  
Himachal Pradesh - 173 025.**

**Sub: Recommendation of fair exchange ratio for the proposed merger of Mount Everest Mineral Water Limited into Tata Global Beverages Limited (the "Transaction")**

**1. SCOPE AND PURPOSE OF THIS REPORT**

- 1.1. Tata Global Beverages Limited ("TGBL") and Mount Everest Mineral Water Limited ("MEMWL") collectively referred to as the "Companies", have requested SSPA & Co., Chartered Accountants (hereinafter referred to as "SSPA") and Haribhakti & Co., Chartered Accountants (hereinafter referred to as "Haribhakti") collectively referred to as the "Valuers" or "we" or "us" in this report to jointly recommend a fair share exchange ratio for the proposed merger of MEMWL into TGBL.
- 1.2. We understand that the board of directors of TGBL and MEMWL are proposing to merge MEMWL into TGBL, with effect from the Appointed Date of April 1, 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"). We understand from the management of the Companies that the shares held by TGBL in MEMWL will be cancelled and other shareholders of MEMWL will be issued equity shares of TGBL as consideration for the proposed amalgamation.
- 1.3. This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter.

**2. SOURCES OF INFORMATION**

For the purposes of this report, we have relied upon the following sources of information as provided by the management of MEMWL and TGBL:

- o Financial Statements of TGBL (standalone and consolidated) for the year ended 31 March 2013,
- o Financial Statements of various subsidiaries / associates / joint ventures of TGBL for the year ended 31 March 2013,



- Financial Statements of MEMWL for the year ended 31 March 2013,
- Financial projections of TGBL (standalone) and of various subsidiaries / associates / joint ventures of TGBL,
- Financial projections of MEMWL,
- Financial information to the extent available in the public domain,
- Information provided by leading database sources, market research reports and other published data,
- Other information provided by, as well as discussions held with, the management and other key personnel of MEMWL and TGBL.

### 3. EXCLUSIONS AND LIMITATIONS

- 3.1. Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 3.2. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of MEMWL and TGBL.
- 3.3. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 3.4. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us. We have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of MEMWL and TGBL. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.
- 3.5. This report and the information contained herein are intended for the sole use of Board of Directors of MEMWL and TGBL and only in connection with the purpose of the Proposed Merger as aforesaid including for the purpose of obtaining requisite approvals. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued. We will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without our written consent.



- 3.6. Further, this report is necessarily based on financial, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. This report exclusively focuses on the valuation of companies proposed to be merged pursuant to the Scheme of Amalgamation and the share exchange ratio and do not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if information provided to us changes.
- 3.7. This report is based on the specific information received from sources mentioned herein and discussions with the management/representatives of MEMWL and TGBL. We have assumed that no information has been withheld that could have influenced the purpose of our report.
- 3.8. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither ourselves, nor any of our Directors, Officers or Employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any third party in relation to the issue of this report.
- 3.9. For the present valuation exercise, we have relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.
- 3.10. In the particular circumstances of this case, our liability (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage caused, shall be limited to the amount of fees actually received by us from the Companies.
- 3.11. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- 3.12. This report does not in any way constitute a recommendation by us to any shareholders as to whether such shareholders should approve or reject the said Proposed Merger. We urge you to read this report and methodology and other details stated herein carefully and entirely.
- 3.13. Our recommendation is based on the estimates of future financial performance as projected by the management, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those



contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

#### 4. BRIEF BACKGROUND

##### 4.1. TATA GLOBAL BEVERAGES LIMITED

4.1.1. TGBL is a global beverages company engaged in the production, marketing and distribution of tea, coffee, water and other beverage products. The Company along with its subsidiaries, Joint Ventures and Associates has branded beverage business operations in several countries which include India, United Kingdom, Europe, United States, Canada and Australia. The Company operates in three segments:

- Tea, which is substantially buying/blending, marketing, sale and distribution of Tea in value added form, and cultivation and manufacture of black tea and instant tea. Coffee and Other Produce, which includes cultivation of coffee, pepper and other plantation crops and conversion of coffee into products, such as roast and ground coffee and instant coffee, and
- Others, which includes sale of natural mineral water, fortified water, other minor crops, curing operations of coffee and trading of items required for coffee plantations.

4.1.2. The current issued and subscribed equity share capital of TGBL is INR 618.4 million consisting of 618,398,570 equity shares of face value of INR 1 each. The equity shares of TGBL are listed on BSE Limited ('BSE'), National Stock Exchange of India Limited ('NSE') and Calcutta Stock Exchange Association Limited ('CSE').

4.1.3. Shareholding pattern of TGBL as on September 30, 2013 is as follows:

Category of Shareholder	Shares	Percentage
Promoters and Promoter Group	217,083,190	35.10%
Public Shareholding	401,315,380	64.90%
<b>Total</b>	<b>618,398,570</b>	<b>100.00%</b>

Source: BSE Website

##### 4.2. MOUNT EVEREST MINERAL WATER LIMITED

4.2.1. MEMWL is in the business of bottling, packaging and selling natural mineral water. The company started its commercial production in April 1997. The Company sells natural mineral water under the brand name "HIMALAYAN".

4.2.2. The current issued and subscribed equity share capital of MEMWL is INR 340.0 million consisting of 33,995,971 equity shares of face value of INR 10 each. The equity shares of TGBL are listed on BSE.

4.2.3. Currently, TGBL holds 50.07% stake in MEMWL.



4.2.4. Shareholding pattern of MEMWL as on September 30, 2013 is as follows:

Category of Shareholder	Shares	Percentage
Promoters and Promoter Group	17,081,092	50.24%
Public Shareholding	16,914,879	49.76%
<b>Total</b>	<b>33,995,971</b>	<b>100.00%</b>

Source: BSE Website

## 5. VALUATION APPROACH

5.1. Arriving at the share exchange ratio would require determining the fair value to the equity shareholders of MEMWL and TGBL.

5.2. Approach for Valuation

There are three generally accepted approaches to valuation:

- "Cost" approach
- "Income" approach
- "Market" approach

### 5.3. Cost Approach

The Cost approach focuses on the net worth or net assets of a company. The Net Assets Value (NAV) method, widely used under the Cost approach, considers the assets and liabilities as stated at their book values. The net assets, after reducing the dues to the preference shareholders, and contingent liabilities, if any, represent the value of the company to the equity shareholders. This valuation approach is mainly used in case where the assets base dominate earnings capability.

### 5.4. Income Approach

- Under the "Income" approach, we have considered Discounted Cash Flow (DCF) Method.
- Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.
- The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax, (i) depreciation and amortizations (non-cash charge), (ii) interest on loans and (iii) any non-operating item. The cash flow is adjusted for outflows on account of capital expenditure, tax and change in working capital requirements.
- WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the Company. In other words, WACC is the weighted average of the firm's cost of equity and debt. Considering an



appropriate mix between debt and equity for the Company, we have arrived at the WACC to be used for discounting the Free Cash Flows of the Companies.

- Value for equity shareholders is arrived at after making adjustment for loan funds, non-operating assets/liabilities (e.g. value of non-operating investments/surplus assets, impact of contingent liability adjusted for probability of devolvement after considering the tax impact wherever applicable, etc.) as deemed appropriate.
- The equity value so arrived at is divided by the number of equity shares to arrive at the value per equity share.

#### 5.5. Market Approach

- 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.
- Under this method, the value is determined on the basis of weighted average stock prices of the company listed on the stock exchange for a reasonable period.

#### 6 VALUATION METHODS CONSIDERED FOR VALUATION OF TGBL AND MEMWL

- We have not considered NAV method for the present exercise, as value of intangibles (being one of the significant value contributors) owned by TGBL and MEMWL are not captured in the balance sheet of these Companies.
- It may be noted that the equity shares of the Companies are listed and frequently traded, hence, we have valued the Companies, using the Market Price method by taking volume weighted average price over a reasonable period.
- We have considered DCF method under Income Approach which considers the future earning capabilities of both the Companies.
- We have assigned appropriate weights to values arrived under the Market Approach and Income Approach for the Companies
- The fair share exchange ratio of equity shares of MEMWL and TGBL has been arrived on the basis of a relative equity valuation for MEMWL and TGBL based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations

#### 7 CONCLUSION

- 7.1 Our exercise is to work out the relative value of shares of the Companies to facilitate the determination of share exchange ratio. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach. To arrive at relative value of shares of MEMWL and TGBL, we have considered it appropriate to



give a weightage of 50% each to the value arrived at under the Market Approach and Income Approach.

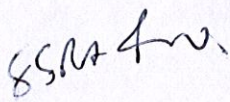
- 7.2 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Honourable Supreme Court of India in the case reported in 176 ITR 417 as under:

*"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."*

- 7.2 On the basis of the valuation above, in our opinion a fair ratio of exchange in the event of merger of MEMWL with TGBL would be:

**3 (Three) equity shares of TGBL of INR 1 each fully paid up for every 4 (Four) equity shares of MEMWL of INR 10 each fully paid up.**

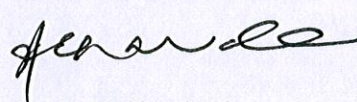
Respectfully submitted,

  
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For Haribhakti & Co  
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