

SSPA & CO.

Chartered Accountants

1st Floor, "Arjun", Plot No. 6 A,

V. P. Road, Andheri (W),

Mumbai - 400 058. INDIA.

Tel. : 91 (22) 2670 4376

91 (22) 2670 3682

Fax : 91 (22) 2670 3916

Website : www.sspa.in

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March 29, 2022

The Board of Directors

Tata Consumer Products Limited

1, Bishop Lefroy Road,

Kolkata – 700020,

West Bengal.

Dear Sir(s) / Madam(s),

Sub: Valuation of equity shares of Tata Consumer Products Limited and Tata Consumer Products UK Group Limited

We refer to the engagement letter dated February 28, 2022 whereby we, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Valuer' or 'We'), have been appointed by Tata Consumer Products Limited (hereinafter referred to as 'TCPL') to issue a report containing recommendation of fair value of equity shares of TCPL and of Tata Consumer Products UK Group Limited (hereinafter referred to as 'TCP UK') for the purpose of proposed issue of equity shares of TCPL in consideration for acquisition of equity shares of TCP UK from Tata Enterprises (Overseas) AG (hereinafter referred to as 'TEO') by TCPL.

TCPL and TCP UK are hereinafter collectively referred to as the 'Companies'.

1. SCOPE AND PURPOSE OF THIS REPORT

- 1.1 We have been informed by the management of TCPL (hereinafter referred to as the 'Management') that they are considering a proposal of acquisition of equity shares of TCP UK from TEO and in consideration equity shares of TCPL would be issued to TEO (hereinafter referred to as 'Proposed Transaction')
- 1.2 In this connection, the Management wants to ascertain the fair value of equity shares of TCPL and of TCP UK as required under (i) section 62(1)(c) of the Companies Act, 2013 and (ii) Regulation 163(3) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('SEBI ICDR Regulations') and to recommend a fair equity share swap ratio for the Proposed Transaction.



- 1.3 For the present valuation exercise, Valuation Date is taken as March 29, 2022 ('Valuation Date')
- 1.4 For the purpose of this valuation, the bases of value is 'Fair Value' and the valuation is based on 'Going Concern' premise.
- 1.5 The report sets out our recommendation of the fair value of equity shares of the Companies and discusses the approach and methodologies considered for arriving at fair value of the equity shares of the Companies for the Proposed Transaction.

2. BRIEF BACKGROUND

2.1. TATA CONSUMER PRODUCTS LIMITED

TCPL (formerly Tata Global Beverages Limited) along with its subsidiaries, associates and joint ventures is engaged in the business of trading, production and distribution of consumer products mainly tea, coffee, water and RTD beverages collectively termed as 'branded beverage business', and salt, pulses, spices, snacks, breakfast cereals, etc. collectively termed as 'branded foods business'. TCPL has branded business mainly in India, Europe, US, Canada and Australia. The non-branded plantation business is in India and tea and coffee extraction businesses are mainly in India, Vietnam and the US.

The equity shares of TCPL are listed on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE') and the Calcutta Stock Exchange Limited ('CSE').

The shareholding pattern of TCPL as on date is as under:

Name of shareholders	Number of Shares	% holding
Promoter & Promoter Group	31,96,29,733	34.68%
Public	60,19,21,982	65.32%
Total	92,15,51,715	100.00%

2.2. TATA CONSUMER PRODUCTS UK GROUP LIMITED

TCP UK, headquartered in United Kingdom ('UK'), is a subsidiary of TCPL. At present, TCPL directly and indirectly holds 89.85% stake in TCP UK.

The principal activities of TCP UK are mainly the processing, marketing and distribution of tea, coffee and related products. It operates mainly in the UK and has subsidiaries in United States of America ('US'), Canada, Australia and Poland as well as joint ventures in South Africa and Bangladesh.

The shareholding pattern of TCP UK as on date is as under:



Name of shareholders	Number of Shares	% holding
Tata Consumer Products Limited	7,06,66,290	30.06%
Tata Tea Extractions Inc.	2,49,34,293	10.61%
Tata Consumer Products Capital Limited	11,56,02,515	49.18%
Tata Enterprises (Overseas) AG	2,38,71,793	10.15%
Total	23,50,74,891	100.00%

3. REGISTERED VALUER – SSPA & CO., CHARTERED ACCOUNTANTS

SSPA & Co., Chartered Accountants, is a partnership firm, located at 1st Floor, Arjun Building, Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4. SOURCES OF INFORMATION

The valuation exercise is based on the following information which has been received from the Management and information available in the public domain:

- (a) Standalone and Consolidated audited financial statements of TCPL and TCP UK for the fiscal years ending 31 March 2019, 2020 and 2021;
- (b) Standalone and Consolidated limited reviewed financial results of TCPL for the 9-month period ended 31 Dec 2021 ("YTD Dec-21");
- (c) Consolidated limited reviewed financial results of TCP UK for YTD Dec-21;
- (d) Estimated financials for 3 months ending 31 March 2022 and forecasted financials for the 3 fiscal years ending 31 March 2023, 2024, 2025;
- (e) Discussions with the Management to obtain requisite explanation and clarification of data provided;
- (f) Discussions with the Management to inter-alia understand their perception of historical and expected future performance, macro-economic parameters and key value drivers affecting TCPL and TCP UK;
- (g) Market comparables and transactions, to the extent information on comparable companies/transactions is available in the public domain



- (h) General market data, including economic, governmental, and environmental forces, and industry information that may affect the Value;
- (i) Other information and documents for the purpose of this engagement.

5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

- 5.1. This report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our report on recommendation of fair value per share of the Companies for the Proposed Transaction is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.
- 5.2. Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.
- 5.3. The report assumes that the Companies comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.
- 5.4. The draft of the present report was circulated to the Management (excluding the recommended fair value per share of the Companies) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 5.5. Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.
- 5.6. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies / its auditors / its consultants, is that of the Companies. Also, with respect to explanations and information sought from the Companies, we have been given



to understand by the Management that they have not omitted any relevant and material information about the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/conclusions.

- 5.7. Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Companies through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 5.8. Our valuation 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, after giving due considerations to commercial and financial aspects of the Companies and the industry in which the Companies operate and taking into account the current economic scenario and business disruptions caused on account of spread of COVID-19 pandemic. 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.
- 5.9. We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.
- 5.10. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This



report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.

- 5.11. We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 5.12. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Transaction.
- 5.13. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 5.14. The decision to carry out the Proposed Transaction (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Transaction.
- 5.15. Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of TCPL and may be submitted to regulatory/statutory authority for obtaining requisite approvals. 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. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 5.16. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. We owe responsibility to only to the Company that



has appointed us under the terms of the Engagement Letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents.

6. VALUATION APPROACH AND METHODOLOGIES

- 6.1. For the purpose of valuation, generally following approaches can be considered, viz,
- (a) the 'Cost' approach;
 - (b) the 'Market' approach; and
 - (c) the 'Income' approach

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

6.2. COST APPROACH

The Cost Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost. In the present case, the business of TCPL and of TCP UK are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.

6.3. MARKET APPROACH

- 6.3.1. In the present case, the equity shares of TCPL are listed and frequently traded on recognized stock exchanges. Therefore, we have thought fit to use Market Price Method for valuation of equity shares of TCPL under Market Approach.

The equity shares of TCP UK are not listed on any stock exchanges. Further, sufficient and reliable details on comparable transactions are not available in public domain. Therefore, we have thought fit to use Comparable Companies' Multiple ('CCM') Method for valuation of equity shares of TCP UK under Market Approach.

6.3.2. MARKET PRICE METHOD

The market price of an equity share, as quoted on a stock exchange, is normally considered as the fair 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.

As mentioned above, the equity shares of TCPL are listed on recognized stock exchanges. The value of equity shares of TCPL under this method is determined considering the share prices of TCPL on NSE over an appropriate period.

6.3.3. COMPARABLE COMPANIES' MULTIPLE ('CCM') METHOD

Under CCM Method, the value of equity shares of TCP UK is determined by using multiples derived from valuations of listed comparable 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 material differences, if any.

In the present case, Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiples of comparable listed companies are considered to arrive at EV of TCP UK.

To the value so arrived, appropriate adjustments have been made for loan funds, value of investments, value of other assets and cash and cash equivalents to arrive at the equity value.

The equity value as arrived above is divided by the outstanding number of equity shares to arrive at the value per equity share of TCP UK.

6.4. INCOME APPROACH

Under Income Approach, equity shares of TCPL and of TCP UK are valued using Discounted Cash Flow ('DCF') Method.

6.4.1. Under 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.

6.4.2. 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 earnings before interest and tax (i) depreciation and amortizations (non-cash charge), and (ii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.



- 6.4.3. 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 cost of equity and cost of debt of the company.
- 6.4.4. To the value so arrived, appropriate adjustments have been made for loan funds, contingent liabilities, value of investments, cash and cash equivalents and value of other assets, to arrive at the equity value.
- 6.4.5. The value as arrived above is divided by the diluted / outstanding number of equity shares to arrive at the value per equity share of TCPL and of TCP UK respectively.

7. RECOMMENDATION OF FAIR VALUES

- 7.1. Though different values have been arrived at under different approaches, for the purpose of recommending a fair value, it is necessary to arrive at a single value for the equity shares of TCPL and of TCP UK. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach. We have considered it appropriate to give equal weightage to the values arrived at as per Market Price Method / CCM Method under Market Approach and DCF Method under Income Approach to arrive at the fair value per equity share of TCPL and of TCP UK.
- 7.2. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement 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 recognized 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 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.'

- 7.3. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, the fair value per equity share of TCPL and of TCP UK works out to **INR 765.16/-** and **INR 240.70/-** respectively as on the Valuation Date.
- 7.4. Based on the aforementioned fair value per share of TCPL and of TCP UK, the fair equity share swap ratio for the Proposed Transaction is as under:
5 (Five) equity shares of TCPL of INR 1 each fully paid up for every 16 (Sixteen) equity shares of TCP UK of GBP 1 each fully paid up.

Thanking you,
Yours faithfully,

For SSPA & CO.

Chartered Accountants

ICAI Firm registration number: 128851W

IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

Parag S. Ved



Parag Ved, Partner

ICAI Membership No. 102432

Registered Valuer No.: IBBI/RV/06/2018/10092

UDIN: 22102432AFVXKS3695

Place: Mumbai