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D & A FINANCIAL SERVICES (P) LIMITED

Merchant Banking & Corporate Advisory Services

For JSW Ispat Special Products Limited
Formerly known as Monnet Ispat and Energy Limited


Ajay Kadhao
Company Secretary

Date: February 16, 2022

The Board of Directors
JSW Ispat Special Products Limited,
Bandra Kurla Complex, Bandra (East)
Mumbai, Maharashtra - 400051

Subject: Fairness Opinion on the Value of the Specified Undertaking of JSW Ispat Special Products Limited as appearing in carve out Balance Sheet as of December 31, 2021

Dear Sir/ Madam,

We understand that JSW Ispat Special Products Limited ('Transferor Company' or 'JISPL') intends to transfer the Specified Undertaking as defined below, to Mivaan Steels Limited ('Transferee Company' or 'MSL') via the slump sale on a going concern basis through the Scheme of Arrangement ("Scheme") under Sections 230 to 232 of the Companies Act, 2013.

Specified Undertaking as per the scheme means the business of the Transferor Company pertaining to the manufacturing facilities at Raipur (includes a sponge iron manufacturing plant with a capacity of 0.3 MTPA, ferrylloy plants and steel manufacturing plant with a capacity of 0.25 MTPA), mining facilities at Kanker and associated coal washery operations at Patherdih and includes certain assets/ properties.



H.O. & Regd. Office: 13, Community Centre, 2nd Floor, East of Kailash, New Delhi-110065 (India)
Phone:+91 11 26472557, 26419079, Fax:+91 11 26219491

E-mail:investors@dnafinserv.com, compliance@dnafinserv.com, contact@dnafinserv.com, Website:www.dnafinserv.com

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We understand that the Scheme shall be implemented by the Transferor Company with the Transferee Company (in its capacity as a **wholly owned subsidiary (“WOS”)** of the Transferor Company)¹. Accordingly, the Transferor Company is evaluating transfer of the Specified Undertaking on a going concern basis at a consideration based on the **Book Value**.

In this connection we, **M/s D&A Financial Services (P) Ltd, (‘D&A’)** SEBI registered Merchant Banker, having SEBI Registration Number INM000011484, have been engaged by you to give our fairness opinion on Valuation Report of **PWC Business Consulting Services LLP (‘PWC BCS’)**, who were appointed as the Valuer for the purpose of valuation of Specified Undertaking on a going concern basis.

1. Scope and Purpose of the Opinion

The fairness opinion is provided by us in compliance with the disclosure guidelines issued by Securities and Exchange Board of India (SEBI) vide Master Circular SEBI/HO/CFD/DIL.1/CTR/P/2021/0000000665 dated November 23, 2021. The Fairness Opinion is addressed to the Board of Directors of JISPL.

Disclaimer: We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the authorized representatives of management of Transferor and Transferee Companies for the purpose of this Opinion. We have not carried out any independent verification of the accuracy and completeness of all information as stated above. We have not reviewed any other documents of the Company other than those stated herein. We have not assumed any obligation to conduct, nor have we carried out any independent physical inspection or title verification of the property, investments etc. interests of Companies and accept no responsibility therefore.

¹ We understand that the Transferor Company will acquire the Transferee Company for a marginal consideration equal to its paid-up equity share capital.



We have not reviewed any internal management information statements or any non-public reports and instead with your consent we have relied upon information that was publicly available or provided or otherwise made available to us by Companies for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threatened claims.

This Report, its contents and the results herein are specific to the valuation report dated 16th February, 2022 performed by PWC BCS for the valuation dated 31st December, 2021.

In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited or otherwise investigated the financial information provided to us. 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 carve out balance sheet carve out balance sheet of the Specified Undertaking on a going concern basis.

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BRIEF BACKGROUND OF THE COMPANIES AND TRANSACTION

JISPL or Transferor Company (formerly known as Monnet Ispat and Energy Limited) is a public limited company incorporated under the Companies Act, 1956 (and validly existing under the Companies Act, 2013) having its registered office at JSW Center, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, and listed on both NSE and BSE (“Transferor Company”). The Transferor Company is, inter alia, engaged in the business of manufacturing and marketing of sponge iron, pellets, steel and ferro alloys.

MSL or Transferee Company is a public limited company incorporated under the Companies Act, 2013 having its registered office at 504, 5th Floor, I / 49, Poonam Sagar Complex CHS Ltd., Behind Allahabad Bank, Thane – 401107 (“Transferee Company”). We understand that the Transferee Company has been recently incorporated and has a paid-up equity share capital of INR 0.08 million.

We have been informed by the management of the Transferor (“Management”) and as per the report issued by PWC BCS, that since Transferee Company will be a wholly owned subsidiary of Transferor, the transfer of the Specified Undertaking is intended to be affected at consideration based on Book Value of such Specified Undertaking on a going concern basis at December 31, 2021.

Accordingly, the Management has retained “PWC BCS”, registered valuer to carry out the valuation of the “Undertaking” on a going-concern basis at December 31, 2021 (“Valuation Date”) and provide a Report thereon. We have been approached by the management to provide a Fairness Opinion on the value of the undertaking at a consideration based on the Book Value computed by PWC BCS.



2. Sources of Information

For arriving at the opinion set forth below, we have relied upon following documents:

- Carve out balance sheet of the Undertaking as at December 31, 2021.
- Analysis of other facts and data considered pertinent to this Valuation.
- Draft Scheme of Arrangement.
- We have also received necessary explanations and information, which we believed were relevant to the present valuation exercise from the executives and management of the Company. Applicable laws and public circulars under SEBI Law and provisions of the Companies Act, 2013.

3. Valuation – Approach, Methodology and Basis of Valuation

As we have learnt that it is the Transferor's Company intention to transfer the undertaking to Transferee Company at consideration based on the Book Value as presented in the carve out balance sheet of the of the Undertaking. Thus, PWC BCS has considered the Net Asset Approach based on Book Value to value the Undertaking.

The Net Asset Value approach indicates the value of a company based on the net assets (i.e. total assets – total liabilities) appearing in the Balance Sheet of the company which is being valued as at the Valuation Date. The fair value of the Specified Undertaking or the assets/ liabilities is not assessed, and actual fair value of the Specified Undertaking on a going concern basis may be different from our conclusion in this Report as the book value (a historical metric) does not capture the future potential of the business.

The Fair Value of the Undertaking has not been assessed, and thus our opinion on Fairness is limited to the valuation of assets under Net Asset Value Approach by following Book Value.



The valuation of the undertaking based on the consideration based on the Book Value as computed by PWC BCS is **INR 4,431.1 million**. We understand that the Scheme shall be implemented by the Transferor Company with the Transferee Company, in its capacity as a wholly owned subsidiary ("WOS") of the Transferor Company. Accordingly, the Management intends to transfer the Specified Undertaking on a going concern basis for a consideration based on the Book Value. Since the Transferee Company will be a WOS of the Transferor Company when the Scheme is affected, the economic interest of the shareholders of the Transferor Company will continue to remain same.

Further, certain assets of the Specified Undertaking as described by PWC BCS were fully impaired in FY19, and accordingly no separate value has been ascribed to these assets.

4. Conclusion and Opinion

Our analysis and results are also specific to the date of this report. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of considering the financial position of the companies, their business, and any other matter, which may have an impact on our opinion for the proposed scheme, including any significant changes that have taken place or are likely to take place in the financial position of the companies or their business subsequent to the proposed Appointed date of the proposed scheme. We have no responsibility to update this report for events and circumstances occurring after the date of this report. We assume no responsibility for updating or revising our opinion-based circumstances or events occurring after the date hereof.

Transferor has envisaged to transfer the specified undertaking on a going concern basis to its wholly owned subsidiary (Transferee Company) at a consideration based on the Book Value. We understand that Book Value may not be the Fair Value, which may had been computed using other methods in ordinary circumstances. However, as the transfer shall be implemented by the Transferor Company with the Transferee Company (which is a wholly owned subsidiary) via slump sale on a going



concern basis through scheme of arrangement, the transfer of specified undertaking on a going concern basis shall not affect the economic interest of the shareholders of Transferor.

Thus, on the basis of our scope and limitations mentioned in the report and on consideration of all the relevant factors as mentioned above, we are of the opinion that the valuation of specified undertaking of JISPL on a going concern basis as at 31st December 2021 at a consideration based on the Book Value assessed by PWC Business Consulting Services LLP at INR 4,431.1 million is fair considering the circumstances, and thus we hereby sign the Fairness Opinion Report on Valuation.

Thanking You

For D & A Financial Services (P) Ltd

SEBI Reg. No. INM000011484


(Chetan Mukhija) 

Authorized Signatory

Place: New Delhi

Date: February 16, 2022



APPENDIX

EXCLUSIONS AND LIMITATIONS

- Our conclusion is based on the information furnished to us being complete and accurate in all material respects.
- We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Companies.
- Our work does not constitute verification of historical financials or including the working results of the Companies referred to in this Opinion. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this Opinion.
- Our opinion is not intended to and does not constitute a recommendation to any shareholders as to how such shareholder should vote or act in connection with the Scheme or any matter related therein.
- Our liability (statutory or otherwise) for any economic loss or damage arising out of the rendering this Opinion shall be limited to amount of fees received for rendering this Opinion as per our engagement.
- Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.
- We do not express any opinion as to the price at which shares of the Companies may trade at any time, including, subsequent to the date of this opinion.



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Ajay Kadhao
Company Secretary