

JSW Ispat Special Products Limited

(formerly known as Monnet Ispat & Energy Limited)

Registered & Corporate Office: JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai-400051

CIN: L02710MH1990PLC363582 GST: 27AAACM0501D2Z9

Phone: +91 22 4286 1000 E-mail: isc_jispl@aionjsw.in Website: www.aionjsw.in

REPORT OF THE INDEPENDENT DIRECTORS OF JSW ISPAT SPECIAL PRODUCTS LIMITED (“COMPANY” OR “TRANSFEROR COMPANY 2”) RECOMMENDING THE COMPOSITE SCHEME OF ARRANGEMENT AMONGST JSW STEEL LIMITED, CREIXENT SPECIAL STEELS LIMITED AND THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

This report is considered and approved by the Independent Directors of the Company at the meeting held on May 27, 2022 at the registered office of the Company at JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 where the following Independent Directors were present:

Directors present:

- | | | |
|----|----------------------|----------------------|
| 1. | Mrs. Anuradha Bajpai | Independent Director |
| 2. | Mr. Jyotin Mehta | Independent Director |
| 3. | Mr. Krishna Deshika | Independent Director |

The Independent Directors of the Company unanimously elected Mrs. Anuradha Bajpai, as the chairperson of the meeting.

1. Background

- 1.1. The proposed composite scheme of arrangement amongst JSW Steel Limited (“**Transferee Company**”), Creixent Special Steels Limited (“**Transferor Company 1**”) and the Company and their respective shareholders and creditors (“**Scheme**”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**the Act**”) read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, and the relevant provisions of the Securities and Exchange Board of India (“**SEBI**”) Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 (“**SEBI Circular**”) and Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, has been placed before the Independent Directors of the Company at their meeting held on May 27, 2022 for the Independent Directors of the Company to consider and approve the said Scheme.
- 1.2. As per the requirements under the SEBI Circular, the Independent Directors of the Company are required to adopt a report recommending the Scheme, taking into consideration, *inter alia*, that the scheme is not detrimental to the shareholders of the Company.
- 1.3. This report, in connection with the Scheme, has been accordingly adopted by the Independent Directors of the Company in order to comply with the requirements under the SEBI Circular, after considering, discussing and reviewing, *inter-alia*, the following:

- (a) the draft Scheme which is duly initialed by Company Secretary of the Company for the purpose of identification;



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- (b) valuation report dated May 27, 2022 issued by PwC Business Consulting Services LLP, an independent valuer, in respect of the share exchange ratio set out under the Scheme;
- (c) fairness opinion dated May 27, 2022 issued by JM Financial Limited, an independent and SEBI registered Category I merchant banker, providing opinion on the fairness of the share exchange ratio proposed in the valuation report; and
- (d) draft certificate from the statutory auditor of the Company, Deloitte Haskins & Sells LLP, Chartered Accountants.

2. Need and rationale for the Scheme

2.1. The Independent Directors of the Company noted the need and rationale of the Scheme which, *inter alia*, is set out below:

- (a) *Synergies in business:* The parties are engaged in similar and/ or complementary businesses and their proposed amalgamation pursuant to this Scheme will create synergies between their businesses, including by pooling of their financial, managerial, technical, distribution, marketing and other resources. The proposed amalgamation is expected to, *inter-alia*, result in reduction of costs, better alignment, coordination and streamlining of day-to-day operations of the units.
- (b) *Optimization of raw material procurement:* The Transferee Company has captive iron ore mines and merchant iron ore mines. The manufacturing unit of the Company situated at Raigarh sources iron ore from the merchant mines of the Transferee Company and pursuant to the proposed amalgamation, the Company will also source iron ore from the captive iron ore mines of the Transferee Company, which are located closer to the Company, than the merchant iron ore mines of the Transferee Company. Such combined sourcing of raw materials will result in reduction in overall cost of procurement. Further, the requirement of coke for the manufacturing activities of the Company can also be supplied by the Transferee Company, thereby resulting in further reduction of procurement costs.
- (c) *Utilization of surplus rolling capacity:* The Company commenced its slab manufacturing capacity in FY 2022. With the commissioning of a second electric arc furnace (EAF) by the Company expected in Q2 FY 2023, its ability to produce crude steel will increase. The facilities of the Transferee Company at Vijayanagar and Anjar have surplus rolling capacity. Thus, the slabs manufactured by the Company can be rolled in the said facilities of the Transferee Company, thereby providing opportunity for transfer of intermediate products within the facilities, and thereby increasing the capacity utilization of the Transferee Company's rolling mills.
- (d) *Simplified structure and management efficiency:* The proposed amalgamation will result in a simplification of the existing corporate structure and eliminate



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administrative duplications, consequently reducing the administrative costs of maintaining separate companies, while reducing the multiple legal and regulatory compliances.

- (e) *Improved automation:* The proposed amalgamation will result in increased level of automation across all plants of the Transferor Company 2 by using the information technology application and systems of the Transferee Company.

3. Scheme not detrimental to shareholders of the Company

The Independent Directors of the Company noted that upon the Scheme becoming effective, the Transferee Company will issue:

- (a) 1 (one) fully paid up equity share(s) of INR 1 (Rupee One) each of the Transferee Company to the equity shareholders of the Transferor Company 2 (other than the Transferee Company in respect of its shareholding in Transferor Company 2, including in respect of shares of the Transferor Company 2 transferred and vested to the Transferee Company from the Transferor Company 1 pursuant to the Scheme) as on the record date for every 21 (twenty-one) fully paid up equity share(s) of INR 10 (Rupees Ten) each held by such equity shareholders of the Transferor Company 2; and
- (b) 1 (one) fully paid up equity share(s) of INR 1 (Rupee One) each of the Transferee Company to the holder of compulsorily convertible preference shares of the Transferor Company 2 (other than the Transferee Company in respect of its shareholding in Transferor Company 2, including in respect of shares of the Transferor Company 2 transferred and vested to the Transferee Company from the Transferor Company 1 pursuant to the Scheme) as on the record date for every 21 (twenty-one) compulsorily convertible preference share(s) of INR 10 (Rupees Ten) each held by such holders of compulsorily convertible preference shares of the Transferor Company 2.

If any shareholder of Transferor Company 2 becomes entitled to a fractional equity share to be issued by the Transferee Company, then the treatment of such fractional equity share will be as provided under the Scheme.

The Independent Directors noted that the Scheme will provide an opportunity to improve the economic value for the shareholders. This is particularly marked in the improved synergies that will arise pursuant to the Scheme. The proposed amalgamation will result in deriving benefits for future capacity expansion and funding of capital expenditure, given the strong credit rating of the Transferee Company. Thus, upon the Scheme becoming effective, the shareholders of the Company will be able to participate in the growth of the Transferee Company, which is the largest steel manufacturing company by market capitalization in India, as on date. Therefore, considering the above and other documents presented, the Independent Directors of the Company are of the view that the Scheme is not detrimental to the shareholders of the Company.



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4. Recommendation of the Independent Directors of the Company

- 4.1. The Independent Directors of the Company, after due deliberations and due consideration of all the terms of the Scheme, in particular the fact that the Scheme is not detrimental to the shareholders of the Company, recommends the Scheme for approval of the Board of Directors of the Company.

For and on behalf of the Independent Directors of JSW Ispat Special Products Limited

Anuradha Bajpai

Anuradha Bajpai
Designation: Independent Director
Date: May 27, 2022
Place: Mumbai



Anil Kumar