

Date: 28 January 2022

To,
The Board of Directors,
Jindal United Steel Limited,
O.P. Jindal Marg, Hisar,
Haryana - 125005

To,
The Board of Directors,
Jindal Coke Limited,
O.P. Jindal Marg, Hisar,
Haryana - 125005

Subject: Recommendation of share exchange ratio for the proposed amalgamation of Jindal Coke Limited ('JCL') with Jindal United Steel Limited ('JUSL')

Dear Sir/Madam,

We refer to the engagement letter dated 27 December 2021 and discussion undertaken with the Management of Jindal United Steel Limited ('JUSL' or 'Amalgamated Company') and Jindal Coke Limited ('JCL' or 'Amalgamating Company') (hereinafter both together referred to as 'the Management'), wherein the Management has requested Niranjan Kumar, Registered Valuer – Securities or Financial Assets ('NK', 'we' or 'us') to undertake a valuation exercise and recommend a share exchange ratio for the proposed amalgamation of JCL ('Amalgamating Company') with JUSL ('Amalgamated Company') ('Proposed Amalgamation').

Hereinafter the Amalgamated Company and Amalgamating Company shall together be referred to as the 'Transacting Companies'; and the Management including the Board of Directors of the Transacting Companies shall together be referred to as 'the Management'.

Please find enclosed the report (comprising 37 pages including annexures) detailing our recommendation of share exchange ratio for the proposed amalgamation, the methodologies employed and the assumptions used in our analysis.

This report sets out our scope of work, background, source of information, procedures performed by us and our recommendation of the share exchange ratio.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

Jindal United Steel Limited ('JUSL' or 'Amalgamated company') was incorporated on 01 December 2014 and is engaged in the business of hot rolling and cold rolling of a wide array of stainless steels including austenitic, ferritic, martensitic and other special stainless-steel grades for multiple use cases ranging from pipe and tube segment to nuclear and automotive segment in coil, plate and sheet form. The Company has manufacturing facility located at Jajpur, Odisha.

Jindal Coke Limited ('JCL' or 'Amalgamating Company') was incorporated on 02 December 2014 and is engaged in the business of manufacturing, processing, finishing and dealing in all kinds and forms of coke and coke products. The Company has manufacturing facility located at Jajpur, Odisha.

We understand that the Management of the Transacting Companies are contemplating a scheme of arrangement, wherein they intend to amalgamate JCL with JUSL in accordance

with the provisions of Sections 230 to 232 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("the Rules"), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force and in a manner provided in the Draft Scheme of Arrangement (hereinafter referred to as 'the Scheme'). Further as a consideration for the proposed amalgamation, the equity shareholders and preference shareholders of Amalgamating Company will be issued equity shares and redeemable preference shares ('RPS') respectively of Amalgamated Company in the share exchange ratio as may be decided by the Board of Directors based on share exchange ratio recommended by a Registered Valuer as required under the applicable provisions of Companies Act, 2013.

In connection with the above-mentioned proposed amalgamation, the Management has appointed Niranjan Kumar, Registered Valuer - Securities or Financial Assets ('NK') to submit a report recommending a share exchange ratio for the proposed amalgamation as at the report date ('Valuation Date').

We would like to emphasize that certain terms of the proposed amalgamation are stated in our report, however the detailed terms of the proposed amalgamation shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the proposed amalgamation. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

We understand that the appointed date for the proposed amalgamation shall be 01 April 2021 as defined in the scheme or such other date as the competent authority may direct or approve. We have determined the share exchange ratio for the proposed amalgamation as at the report date.

The scope of our services is to conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the equity value of the Transacting Companies using internationally accepted valuation methodologies as may be applicable to the Transacting Companies and then arrive at the share exchange ratio and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 notified by the Institute of Chartered Accountants of India (ICAI).

This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.



SOURCES OF INFORMATION

In connection with preparation of this report, we have used and relied on the following sources of information:

A. Company specific information

Information provided by the Management which includes:

- Limited reviewed unaudited financial statements for the six months' period ended 30 September 2021 and audited financial statements for the financial year ended 31 March 2021 ('FY21') of JUSL;
- Unaudited provisional financial statements for the six months' period ended 30 September 2021 ('PE22') and audited financial statements for the financial year ended 31 March 2021 ('FY21') of JCL;
- Details of key corporate actions initiated in JUSL subsequent to 30 September 2021 until the report date including further issue of shares and conversion of NCCCPS into equity shares.
- Financial projections of the Transacting Companies from 01 April 2021 ('FY22') to 31 March 2026 ('FY26') ('Management Projections') which represent the management's best estimate of the projected future financial performance of the Transacting Companies;
- Draft scheme of arrangement between the Transacting Companies pursuant to which proposed amalgamation is to be undertaken;
- Valuation report dated 06 January 2022 with respect to fair valuation of tangible fixed assets held by the Transacting Companies, prepared and issued by RBSA Valuation Advisors LLP;
- Latest shareholding pattern of the Transacting Companies as at report date;
- Terms of 0.01% non-cumulative compulsory convertible preference shares ('NCCCPS') issued by JUSL and outstanding as at the report date including nature of instrument, dividend rate, conversion terms, tenure, etc;
- Terms of 10.0% non-cumulative non-convertible redeemable preference shares ('NCNCRPS') issued by JCL and JUSL and outstanding as at the report date including nature of instrument, dividend rate, tenure etc.; and
- Discussions and correspondence with the Management in connection with business operations, past trends, key developments, proposed future business plans and prospects, realizability of assets, etc.

B. Industry and economy information:

- Information available in public domain and databases such as Yahoo Finance, Capitaline, NSE, BSE etc.; and
- Such other information and documents as provided by the Management for the purposes of this engagement.



Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, reviews, explanations and information considered reasonably necessary for our exercise, from the Management.



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PROCEDURES ADOPTED

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Discussion with the Management to:
 - Understand the business and fundamental factors that affect its earning generating capability including strength, weakness, opportunity and threat analysis and historical financial performance;
 - Enquire about current state of affairs, business plans and the future performance estimates;
- Analysis of information shared by Management;
- Reviewed the draft scheme of arrangement between the Transacting Companies pursuant to which the proposed amalgamation is to be undertaken;
- Reviewed the limited reviewed unaudited financial statements for the six months' period ended 30 September 2021 and audited financial statements for the financial year ended 31 March 2021 ('FY21') of JUSL;
- Reviewed the unaudited provisional financial statements for the six months' period ended 30 September 2021 and audited financial statements for the financial year ended 31 March 2021 ('FY21') of JCL;
- Reviewed the shareholding pattern of the Transacting Companies as at report date;
- Reviewed the terms of 0.01% NCCCPS issued by JUSL and outstanding as at report date including nature of instrument, dividend rate, conversion terms, tenure etc.;
- Reviewed the terms of 10.0% NCNCRPS issued by JCL and JUSL and outstanding as at the report date including nature of instrument, coupon rate, tenure etc.;
- Reviewed the cashflow projections provided by the Management including understanding basis of preparation and the underlying assumptions;
- Confirmed that there was no significant changes in the financial performance of Transacting Companies between 30 September 2021 and the report date except for the funds raised by JUSL by way of further issue and conversion of NCCCPS into equity shares;
- Discussion with the Management with respect to key corporate action initiated in JUSL subsequent to 30 September 2021 until the report date including further share issue and conversion of NCCCPS into equity shares;
- Discussion with the Management with respect to realizability of the assets of the Transacting Companies and adjustments if any, required to their current carrying values;
- Discussion with the Management in relation to existence of any liability including contingent liabilities in addition to the liabilities appearing in the financial statements of the Transacting Companies;
- Considered the fair value of tangible fixed assets held by Transacting Companies based on valuation report dated 06 January 2022, prepared and issued by RBSA Valuation Advisors LLP;

- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Selection of appropriate internationally accepted valuation methodology/ (ies) after deliberations and consideration to the sector in which the Transacting Companies operates;
- Arrived at the valuation of the Transacting Companies using the method/(s) considered appropriate;
- Arrived at the value of equity shares of Transacting Companies after giving due weightage to the value arrived under the different methods;
- Considered the terms of NCNCRPS proposed to be issued as consideration; and
- Arrived at the final share exchange ratio for the proposed amalgamation of JCL with JUSL.



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SHAREHOLDING PATTERN OF TRANSACTING COMPANIES

A. Jindal United Steel Limited ('JUSL' or 'Amalgamated company')

I. Equity Share Capital

The equity shareholding pattern of JUSL as at the report date is set out below:

Name	Number of shares (Face value INR 10 each)	Percentage %
OPJ Steel Trading Private Limited	34,15,89,879	74.0%
Jindal Stainless Limited	12,00,18,377	26.0%
Others	59	0.0%
Total	46,16,08,315	100.0%

II. Preference Share Capital

In addition to the above-mentioned equity shares, JUSL has also issued 5,50,31,563 0.01% non-cumulative compulsory convertible preference shares ('NCCCPS') and 8,76,73,311 10% non-cumulative non-convertible redeemable preference shares ('NCNCRPS') both having face value of INR 10/- each to Jindal Stainless Limited.

a) Key terms of above-mentioned NCCCPS is set out below:

Particular	
Nature	Non Cumulative Compulsorily Convertible Preference shares
Dividend Rate	0.01%
Face Value	INR 10 each
Tenure	On or before 10 years form the date of allotment i.e. 25 October 2018
Conversion Ratio	1 (One) 0.01% NCCCPS shall be compulsorily convertible into 1 (One) equity share

Particular	
Nature	Non Cumulative Non Convertible Redeemable Preference shares
Dividend Rate	10.0%
Face Value	INR 10 each
Tenure	On or before 20 years form the date of allotment i.e. 13 October 2016

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B. Jindal Coke Limited ('JCL' or 'Amalgamating Company')

I. Equity Share Capital

The equity shareholding pattern of JCL as at the report date is set out below:

Name	Number of shares (Face value INR 10 each)	Percentage %
Four Seasons Investments Limited (FSIL)	2,40,00,000	74.0%
Jindal Stainless Limited	84,32,372	26.0%
Others	60	0.0%
Total	3,24,32,432	100.0%

II. Preference Share Capital

In addition to the above-mentioned equity shares, JCL has also issued 10,92,64,641 10% non-cumulative non-convertible redeemable preference shares ('NCNCRPS') having face value of INR 10 each to Jindal Stainless Limited.

Key terms of above-mentioned NCNCRPS is set out below:

Particular	
Number of NCNCRPS	9,16,47,073
Nature	Non Cumulative Non Convertible Redeemable Preference shares
Dividend Rate	10.0%
Face Value	INR 10 each
Tenure	On or before 20 years form the date of allotment i.e. 13 October 2016

Particular	
Number of NCNCRPS	1,76,17,568
Nature	Non Cumulative Non Convertible Redeemable Preference shares
Dividend Rate	10.0%
Face Value	INR 10 each
Tenure	On or before 20 years form the date of allotment i.e. 25 October 2018

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FINANCIAL OVERVIEW

a) Jindal United Steel Limited ('JUSL' or 'Amalgamated company')

Snapshot of the limited reviewed unaudited financial statements for the six months' period ended 30 September 2021 ('PE22') and audited financial statements for the year ended 31 March 2021 ('FY21') of JUSL is set out below:

Balance sheet as at		
INR in Crore		
Particulars	30-Sep-21 Limited reviewed	31-Mar-21 Audited
Equity and liabilities		
Shareholders' fund		
Share capital	428.4	428.4
Other equity	66.3	(1.2)
Non current liabilities		
Long term borrowings	2,309.8	2,563.3
Other non current liabilities	4.0	3.7
Current liabilities		
Short term borrowings	3.9	7.5
Trade payables	199.3	78.7
Other current liabilities	30.8	35.0
Total equity and liabilities	3,042.6	3,115.4
Assets		
Non current assets		
Net fixed assets	2,698.7	2,751.6
Other non current assets	20.3	177.6
Current assets		
Inventories	34.3	19.8
Trade receivables	25.5	15.8
Cash and cash equivalents	18.4	14.1
Other current assets	245.5	136.5
Total Assets	3,042.6	3,115.4

Profit and loss for the period/ year ended		
INR in Crore		
Particulars	30-Sep-21 Limited reviewed	31-Mar-21 Audited
Revenue from operations	688.0	904.1
Total revenue	688.0	904.1
Expenses		
Cost of goods sold	(100.0)	(91.4)
Employee benefit expense	(13.8)	(25.5)
Other expense	(296.4)	(401.1)
EBITDA	277.9	386.1
Depreciation	(79.5)	(152.7)
EBIT	198.4	233.5
Finance cost	(122.8)	(304.7)
Other income	28.2	7.2
PBT (before exceptional item)	103.8	(64.0)
Exceptional item	(0.2)	(0.0)
PBT	103.6	(64.0)
Tax	(36.2)	22.7
PAT	67.4	(41.4)



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b) Jindal Coke Limited ('JCL' or 'Amalgamating Company')

Snapshot of the unaudited provisional financial statements for the six months' period ended 30 September 2021 and audited financial statements for the year ended 31 March 2021 ('FY21') of JCL is set out below:

Balance sheet as at		
INR in Crore		
Particulars	30-Sep-21 Unaudited	31-Mar-21 Audited
Equity and liabilities		
Shareholders' Fund		
Share capital	32.4	32.4
Other equity	319.7	196.2
Non current liabilities		
Long term borrowings	455.9	497.1
Other non current liabilities	72.6	54.5
Current liabilities		
Short term borrowings	2.7	2.3
Trade payables	98.2	10.8
Other current liabilities	68.9	34.1
Total equity and liabilities	1,050.5	827.3
Assets		
Non current assets		
Net fixed assets	484.2	494.2
Other non current assets	119.7	105.3
Current assets		
Inventories	246.9	99.9
Trade receivables	140.2	47.8
Cash and cash equivalents	11.4	48.5
Other current assets	48.0	31.7
Total Assets	1,050.5	827.3

Profit and loss for the period/ year ended		
INR in Crore		
Particulars	30-Sep-21 Unaudited	31-Mar-21 Audited
Revenue from operations	494.1	763.5
Total revenue	494.1	763.5
Expenses		
Cost of goods sold	(250.9)	(532.4)
Employee benefit expense	(6.0)	(10.3)
Other expense	(49.1)	(73.2)
EBITDA	188.2	147.6
Depreciation	(10.6)	(20.0)
EBIT	177.6	127.6
Finance cost	(17.2)	(51.0)
Other income	0.8	5.2
PBT (before exceptional item)	161.3	81.8
Exceptional item	2.0	1.1
PBT	163.3	82.9
Tax	(39.9)	(25.1)
PAT	123.4	57.8



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VALUATION APPROACHES

Basis and Premise of Valuation

For the purpose of determining the share exchange ratio for proposed amalgamation, valuation of the equity shares of the Transacting Companies as on the report date is carried out in accordance with ICAI Valuation Standards ("ICAI VS"), considering 'Fair Value' base and 'going concern value' premise. Any change in the valuation base, or the valuation premise could have a significant impact on the valuation outcome of the Company.

Basis of Valuation

It means the indication of the type of value being used in an engagement. Fair Value as per ICAI VS is defined as under: "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date."

Premise of Value

Premise of Value refers to the conditions and circumstances how an asset is deployed. Valuation of the Specified Business is carried out on a Going Concern Value premise which is defined under ICAI VS as under:

"Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc."

It is pertinent to note that the valuation of any business/company or its assets is inherently imprecise and is subject to various uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions considering inter-alia dependency and financial assistance from existing shareholders and general business and economic conditions, many of which are beyond the control of the company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the business, and other factors which generally influence the valuation of the company, its business and assets.

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 purpose, 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 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 following are commonly used and accepted methods for determining the value of the equity shares of a company:

1. Asset Approach – Net Asset Value method
2. Market Approach:
 - a) Market Price method
 - b) Comparable Companies Market Multiple method
3. Income Approach – Discounted Cash Flow method

For the proposed amalgamation, we have considered the following commonly used and accepted methods for determining the value of equity shares of the Transacting Companies for the purpose of recommending fair share exchange ratio to the extent relevant and applicable:

1. Asset Approach - Net Asset Value Method ('NAV')

The asset-based value analysis 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 methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings. This value analysis approach may also be used in case where the firm is to be liquidated or in case where the assets base dominates earning capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

JUSL is primarily engaged in hot rolling and cold rolling of stainless steel on job work basis and has large asset base primarily in plant and machinery. We have therefore used Net Asset Value ('NAV') Method to arrive at the equity value of JUSL.

JCL is primarily engaged in manufacturing, processing, finishing and dealing in all kinds and forms of coke and coke products and has large asset base primarily in plant and machinery. We have therefore used Net Asset Value ('NAV') Method to arrive at the equity value of JCL.

2. 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.

The equity shares of Transacting Companies are not listed on any stock exchange, we have therefore not used this method to arrive at the fair value of equity shares of Transacting Companies.

b) Comparable Companies' Multiple (CCM) / Comparable Transaction Method (CTM)

Under CCM, the value of shares/ business of a company is determined based on market multiples of publicly traded 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. CCM applies multiples derived from similar or 'comparable' publicly traded companies. Although no two companies are entirely alike, the



companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Based on our discussion with the Management, we understand that there are no comparable listed companies which operate in a similar line of business and having similar financial/operating metrics as that of the Transacting Companies, we have therefore not used CCM Method.

Under CTM, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

Based on our discussion with the Management, we understand that there are no recent comparable transactions involving companies of similar nature and having a similar operating/financial metrics as that of the Transacting Companies, we have therefore not used CTM method.

3. Income Approach - Discounted Cash Flows Method ('DCF')

DCF method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. Free cash flows are the cash flows expected to be generated by the company that are available to equity shareholders of the company. The terminal value represents the total value of the available cash flow for all periods subsequent to the forecast period. The terminal value of the business at the end of the forecast period is estimated and discounted to its equivalent present value and added to the present value of the explicit forecast period cash flow to estimate the value of the business.

Using the DCF analysis involves determining the following:

Estimating future cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of capital.

Appropriate discount rate to be applied to cash flows i.e., Weighted Average Cost of Capital ('WACC'):

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and lenders), weighted by their relative contribution to the total capital of a company. The opportunity cost to the capital providers equals the rate of return the capital provider expects to earn on other investments of equivalent risk

To arrive at the total value attributable to the equity shareholders of the business, value arrived through DCF method for the company is adjusted for the value of loans, excess cash, inflow

on exercise of options, non-operating assets/ liabilities (e.g. fair value of investments, any contingent liabilities, etc.). The total value for equity shareholders is then divided by the total number of equity shares (on fully diluted basis) to arrive at the value per share of the company.

Though JUSL has incurred loss in previous year, going forward, the Management expects JUSL to make profits and generate surplus cash in future, we have therefore used DCF Method to arrive at the equity value of JUSL.

JCL is profit making and generate surplus cash, going forward as well JCL is expected to make profits and generate surplus cash, we have therefore used DCF Method to arrive at the equity value of JCL.

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RECOMMENDATION OF SHARE EXCHANGE RATIO FOR THE PROPOSED AMALGAMATION

The fair exchange ratio has been arrived at on the basis of a relative (and not absolute) equity value of the Transacting Companies for the proposed scheme of arrangement based on the various methodologies mentioned herein earlier. Suitable rounding off has been carried out wherever necessary to arrive at the recommended share exchange ratio for equity shareholders of JCL.

Refer Annexure 1 for value per share under different methods prescribed and the share exchange ratio.

For the preference shareholders holding 10% non-cumulative non-convertible redeemable preference shares ('NCNCRPS') issued by JCL, JUSL will issue 10% NCNCRPS, on the same terms and conditions in all respect as is existing in JCL (Amalgamating Company).

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above including scope, limitations and assumptions described in this report, we recommend the share exchange ratio as follows:

a) To the equity shareholders of JCL

10,765 (Ten Thousand Seven Hundred and Sixty-Five) equity shares of JUSL having a face value of INR 10 each fully paid-up shall be issued **for every 1,000 (One Thousand)** equity shares held in JCL having face value of INR 10 each fully paid-up.

b) To the preference shareholders of JCL

1 (One) 10% Non-Cumulative Non-Convertible Redeemable Preference Shares of JUSL having a face value of INR 10 each fully paid-up (with same terms and conditions in all respect at that of existing 10% NCNCRPS issued by JCL); shall be issued for every 1 (One) 10% Non- Cumulative Non-Convertible Redeemable Preference shares held in JCL having face value of INR 10 each fully paid-up.



Respectfully submitted,

Niranjana Kumar
Registered Valuer – Securities or Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P000021/2018-19
UDIN: 22121635AAAAAQ8734

Date: 28 January 2022
Place: Pune

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.

This report, its contents and the results herein are specific and subject to:

- the purpose of valuation agreed as per the terms of this engagement;
- the date of the report;
- shareholding pattern of the Transacting Companies as at the report date;
- limited reviewed unaudited financial statement of JUSL for the six months' period ended 30 September 2021;
- unaudited provisional financial statement of JCL for the six months' period ended 30 September 2021;
- realisation of cashflow projections as provided by the Management and the assumptions underlying the financial projections;
- key corporate actions initiated in the Transacting Companies subsequent to 30 September 2021 until the report date including further share issue and conversion of NCCCPS into equity shares;
- terms of 0.01% NCCCPS issued by JUSL and outstanding as at report date including the potential equity dilution upon their conversion into equity shares in the ratio of 1:1;
- terms of 10.0% NCNCRPS issued by JCL and JUSL and outstanding as at the report date including nature of instrument, dividend rate, tenure etc.;
- realizability of the assets (except tangible fixed asset and security deposit) at the values carried in the books of accounts of the Transacting Companies;
- realizability of the tangible fixed assets at the fair value estimated by RBSA Valuation Advisors LLP vide valuation report dated 06 January 2022;
- no additional outflow towards liabilities other than those recorded in the books of accounts of the Transacting Companies; and
- data detailed in the section - Sources of Information

A value analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular. It is based on the information made available to us as of the date of this report, events occurring after that 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 the relevant factors. There will always be several factors e.g. Management capability, present and prospective yield on comparable securities, market sentiment, location specific factors etc., which are not evident on the face of the financial statement but which will strongly influence the worth of equity share of the Transacting Companies.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Transacting Companies till the date of this report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-



binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of fair value for arriving at share exchange ratio 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 judgment. There is, therefore, no indisputable single fair value. While we have provided our recommendation of the share exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange ratio at which the proposed amalgamation shall take place will be with the Board of Directors of the Transacting Companies, who should take into account other factors such as their own assessment of the proposed amalgamation and input of other advisors.

In the course of our analysis, we were provided with both written and verbal information, including market, technical, financial and operating data including information as detailed in the section –Sources of Information.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of:

- the accuracy of information made available to us by the Management which formed a substantial basis for the report; and
- the accuracy of information that was publicly available.

We have not carried out a due diligence or audit or review of the Transacting Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

We are not legal or regulatory advisors with respect to legal and regulatory matters for the proposed amalgamation. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Management/ Company's advisors, we have been given to understand by the Management that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt.

Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management has indicated to us that they have understood that any omissions, inaccuracies, or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Transacting Companies and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Transacting Companies. However, nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The report assumes that the Transacting Companies comply fully with relevant laws and regulations applicable in all its areas of operations and that the Company will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration on 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 represented to us by the Management.

This report does not look into the business/ commercial reasons behind the proposed amalgamation nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the proposed amalgamation as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This report is restricted to recommendation of share exchange ratio for the proposed amalgamation only.

We must emphasize that the latest financials of Transacting Companies as at the report date were not provided by the Management for our value analysis, however the Management has represented that they do not expect any significant changes in financial performance between 30 September 2021 and the report date and key corporate action events post 30 September 2021 have been provided to us which has been considered while undertaking the valuation workings. We have therefore considered the financials as at 30 September 2021 of Transacting Companies for the purpose of our value analysis and adjusted the same for key corporate actions until the report date.

We would like to emphasize that for the purpose of determining fair market value of tangible fixed assets of the Transacting Companies, we have entirely relied on the valuation report dated 06 January 2022 prepared and issued by RBSA Valuation Advisor LLP.

Given that outstanding NCCCPS of JUSL are convertible into equity shares on a 1:1 basis (i.e. 1 (One) NCCCPS would be converted into 1 (One) Equity Share), we have therefore considered the said conversion ratio to arrive at the potential number of equity shares to be issued on conversion of NCCCPS and calculated the per share equity value of JUSL on a fully diluted basis for the purpose of our value analysis.

We have been informed by the Management that they have recently raised funds aggregating to INR 40.0 Crores by further issue of 2,45,39,878 equity shares having face value of INR 10 each. Accordingly, we have added the above-mentioned subscription amount i.e., INR 40.0 Crore to the equity value of JUSL arrived under both methods i.e. NAV method and DCF method.

No investigation of the Company's claim to title of assets has been made for the purpose of this report and the Company'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.

We would like to emphasize that as consideration for the proposed amalgamation, preference shareholders of JCL would be issued 10% NCNCRPS of JUSL on the same terms and conditions in all respect as that of existing 10% NCNCRPS in JCL. We have therefore not valued 10% NCNCRPS of Transacting Companies independently, since the right of preference shareholders of JCL would remain same with the issue of same instruments with similar rights for the balance remaining period in JUSL.

We must emphasize that realization of forecasted free cash flow or the realizability of the assets at the values considered in our analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to the future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences could be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts. The fact that we have considered the projections in this valuation exercise should not be construed or taken as our being associated with or a party to such projections.



Certain terms of the proposed amalgamation are stated in our report, however the detailed terms of the proposed amalgamation shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the proposed amalgamation. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the Scheme document.

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

We owe responsibility only to the Board of Directors of the Transacting Companies who have appointed us, and nobody else.

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. In no circumstance shall our liability exceed the amount as agreed in our Engagement Letter.

This valuation report is subject to the laws of India.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the purpose of determining the fair share exchange ratio for the proposed amalgamation and relevant filings with regulatory authorities in this regard, without our prior written consent.



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Annexure I:

Summary of equity share exchange ratio

Amalgamation of JCL ('Amalgamating Company') with JUSL ('Amalgamated Company')

Company	Amalgamated/ Amalgamating Company	Total value (INR in Crore)	Number of equity shares outstanding	Value per equity share (INR)	Recommended share exchange ratio (Number of equity shares of amalgamated company to be issued for every 1,000 equity shares of amalgamating company)
Jindal United Steel Limited (Annexure II)	Amalgamated company	843.0	51,66,39,878	16.3	
Jindal Coke Limited (Annexure III)	Amalgamating company	569.7	3,24,32,432	175.6	10,765

Note: Suitable rounding off has been carried out while arriving at the above-mentioned share exchange ratio



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Annexure II

Jindal United Steel Limited ('JUSL') or ('Amalgamated Company')

Calculation of equity value per share of JUSL

Valuation Methodologies Adopted: Discounted Cashflow ('DCF') Method and Net Asset Value ('NAV') Method.

VALUATION SUMMARY

For the purpose of arriving at the per share equity value of JUSL, we have used mix of Net Asset Value Method ('NAV') Method and Discounted Cashflow ('DCF') Method.

Different values have been arrived under each of the above-mentioned methodologies. However, for the purpose of arriving at the fair value it is necessary to give appropriate weights to the values arrived at under each methodology. Weights have to be assigned after giving due considerations to qualitative factors relevant to the Company.

We have assigned equal weightage to the value arrived under each of the methods for the purpose of arriving at the fair equity value of JUSL.

We would like to emphasize that NCCCPS are convertible into equity shares on a 1:1 basis (i.e. 1 (One) NCCCPS would be converted into 1 (One) Equity Share), we have therefore considered the said conversion ratio to arrive at the potential number of equity shares to be issued on conversion of NCCCPS and calculated the per share equity value on a fully diluted basis for the purpose of our value analysis.

INR in Crore

Particulars	Equity Value	Weights %	Weighted Equity Value
Net Asset Value (NAV) method	692.7	50.0%	346.3
Discounted Cash Flow (DCF) method	993.2	50.0%	496.6
Equity value of JUSL as at report date			843.0
No. of equity shares outstanding on fully diluted basis as at report date			51,66,39,878
Equity Value per share (INR per share) of JUSL as at report date			16.3

A. Net Asset Value (NAV) Method

We have relied on the limited reviewed unaudited financial statement of JUSL for the six months period ended 30 September 2021 for the purpose of our value analysis.

We must emphasize that the latest financials of JUSL as at the report date were not provided by the Management for our value analysis, however the Management has represented that they do not expect any significant changes in financial performance between 30 September 2021 and the report date and key corporate action events post 30 September 2021 have been provided to us which has been considered while undertaking the valuation workings. We have therefore considered all assets and liabilities appearing in the limited reviewed balance sheet as at 30 September 2021 for the purpose of our analysis.

Further based on the discussion with the Management, we have considered JUSL to be going concern and accordingly have assumed that all the assets (except tangible fixed asset and security deposit) would be realisable at the value at which they are carried in the balance sheet and all the known liabilities have been duly recorded, and there would be no additional cash

outflow on account of any unrecorded liability. Accordingly, we have reduced the value of all liabilities from the value of asset to calculate the net asset value of JUSL.

For valuing the tangible fixed asset held by JUSL, we have entirely relied on the valuation report dated 06 January 2022 prepared and issued by RBSA Valuation Advisors LLP.

Based on discussion with the Management, we understand the Company has received refundable security deposit kept with Jindal Stainless Limited ('JSL') amounting to INR 204.6 Crore during October 2021, hence we have considered the same for the purpose of our value analysis.

We have been informed by the Management that they have recently raised funds aggregating to INR 40.0 Crores by further issue of 2,45,39,878 equity shares having face value of INR 10 each. Accordingly, we have added the above-mentioned subscription amount i.e., INR 40.0 Crore to the equity value of JUSL arrived under NAV Method.

The net asset value of JUSL based on the limited reviewed unaudited balance sheet as at 30 September 2021 is set out below:

INR in Crore

Sr.No.	Particulars	Book Value	Fair Value
A	Value of assets		
	Non current assets		
	Net fixed assets	2,698.7	2,789.1
	Other non current assets	20.3	20.3
	Current assets		
	Inventories	34.3	34.3
	Trade receivables	25.5	25.5
	Cash and cash equivalents	18.4	18.4
	Other current assets	245.5	313.0
	Total assets (A)	3,042.6	3,200.6
B	Value of liabilities		
	Non-Current Liabilities		
	Long term borrowings	2,155.1	2,155.1
	Long term provisions	4.0	4.0
	Current liabilities		
	Short term borrowings	3.9	3.9
	Trade payables	199.3	199.3
	Other current liabilities	30.8	30.8
	Total liabilities (B)	2,393.2	2,393.2
C	NAV attributable to shareholders of JUSL (C) = [(A)-(B)]	649.4	807.4
	Adjusted for:		
D	Cash received upon preferential issue of equity shares		40.0
E	Redeemable preference share capital as at the report date	(154.7)	(154.7)
F	Adjusted NAV attributable to equity shareholders of JUSL (F) = [(D)+(E)]	494.7	692.7

B. Discounted Cash Flows ('DCF') Method

The equity value analysis of JUSL as at the report date has been carried out on a going concern basis. In our fair value analysis, we have used DCF method based on the cash flow projections provided to us by the Management ('Management Projections') and have relied on the limited reviewed unaudited financial statements for the six months' period ended 30 September 2021.

The Free Cash Flows to Firm ('FCFF') method has been used to determine the enterprise value of JUSL. The FCFF method involves an estimation of post-tax-free cash flows over the forecast period after considering the entity's requirements for reinvestment in terms of capital expenditure, incremental working capital, project specific needs etc. The free cash flows represent the cash available for distribution to both the owners of and lenders to the business.

The free cash flows are discounted by the Weighted Average Cost of Capital (WACC) to arrive at the enterprise value. The WACC represents the returns required by the investors of debt and equity weighed to their relative funding in the entity. The returns expected would depend on the perceived level of risk associated with the business of the Company and the industry in which the entity operates.

For arriving at the enterprise value of JUSL, we have relied on the Management projections for the period from FY22 to FY26, as prepared and provided to us by the Management (as set out on subsequent pages). 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 Management Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us during the course of this engagement.

We must emphasize that the latest financials of JUSL as at the report date were not provided by the Management for our value analysis, however the Management has represented that they do not expect any significant changes in financial performance between 30 September 2021 and the report date and key corporate action events post 30 september 2021 have been provided to us which has been considered while undertaking the valuation workings. We have therefore considered all assets and liabilities appearing in the limited reviewed balance sheet as at 30 September 2021 for the purpose of our analysis. Further, we have adjusted the actual performance for the six months' period ended 30 September 2021 from the annual estimate of FY22 in order to arrive at the projected cash flow for the remaining six months' period from 01 October 2021 to 31 March 2022 ('PE22').

The projected free cash flows based on these financial projections are set out on below:

INR in Crore

Particulars	PE22*	FY23	FY24	FY25	FY26	Terminal
EBITDA (excluding other income)	227.7	546.1	576.4	606.6	667.0	667.0
Depreciation	(79.5)	(162.4)	(178.0)	(193.7)	(197.5)	(200.0)
EBIT	148.2	383.7	398.4	412.9	469.5	467.0
Tax Expense	(65.1)	(67.0)	(69.6)	(72.1)	(82.0)	(117.5)
EBIT (net of tax)	83.2	316.7	328.8	340.7	387.5	349.5
Adjustments for:						
Depreciation	79.5	162.4	178.0	193.7	197.5	200.0
Changes in working capital	(69.9)	10.9	2.3	2.3	4.6	-
Capital expenditure	(79.4)	(265.0)	(220.0)	(65.0)	(65.0)	(65.0)
Free Cashflow to Firm (FCFF)	13.4	224.9	289.1	471.7	524.6	484.5

*PE22: Six months period ended 31 March 2022

FYXX: Financial year ended 31 March 20XX

Terminal cash flow (terminal value)

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy.

Based on discussions with the Management, we understand that taking into consideration the growth outlook, demand prospects etc., the Company does not expect significant growth

beyond FY26. Hence, the cash flow of FY26 has been used as the base to determine the terminal value and suitable adjustments have been made to the same based on discussion with the management. The terminal value after discounting has been estimated at **INR 1,851.7 crore**.

Discount factor

The discount factor considered for arriving at the present value of the FCFF is the WACC, which comprises of cost of debt and equity (*Detailed working set out in subsequent pages*)

The WACC has been estimated at 15.0% after giving appropriate allowances for illiquidity of shares and company specific risk including risk associated with achieving the financial projections, etc.

Given that cashflows are estimated to accrue evenly over the year, we have used the mid-period discounting convention to discount the cash flows.

Other Consideration

To arrive at the equity value of JUSL, enterprise value arrived using DCF Method has been adjusted for the following :-

a) Gross debt

Gross debt outstanding as at 30 September 2021 comprises of term loan from bank, 10.0% NCNCRPS and inter corporate loan from related party aggregating to an amount of INR 2,313.7 crore.

b) Surplus assets

Surplus assets as at 30 September 2021 comprises of investments in mutual funds, investments in equity shares of Jindal Stainless Limited and cash and cash equivalents aggregating to an amount of INR 95.1 crore.

c) Security Deposit

Based on discussion with the Management, we understand that Company has received refundable security deposit kept with Jindal Stainless Limited ('JSL') amounting to INR 204.6 Crore during October 2021, hence we have considered the same for the purpose of our value analysis.

d) Present value of MAT credit

Based on discussion with the Management, we understand that Company has brought forward unabsorbed depreciation as at 31 March 2021 and therefore the Company will set off the said unabsorbed depreciation against the taxable income for the respective years till FY27 and would pay MAT at the rate of 17.5% of book profits.

Given this background, Company would have accumulated MAT credit amounting to INR 230.8 Crore till FY27 which will be utilized by the Company in the future years. Further, we also understand that upon full utilization of accumulated MAT credit, the Company will transition into the new tax regime and pay corporate tax at the rate of 25.2%.

Accordingly, for the purpose of calculating the terminal value we have considered tax rate of 25.2% and have also considered the present value of MAT credit utilization in the future years amounting to INR 77.7 Crore.

e) Cash received upon preferential issue of equity shares.

We have been informed by the management that they have recently raised funds aggregating to INR 40.0 Crores by further issue of 2,45,39,878 equity shares having face value of INR 10



each. Accordingly, we have added the above-mentioned subscription amount i.e., INR 40.0 Crore to the equity value of JUSL arrived under DCF method.

Calculation of equity value of JUSL as at the report date under DCF Method is set out below:

INR in Crore

Particulars	PE22*	FY23	FY24	FY25	FY26	Total
Free Cashflow to Firm	13.4	224.9	289.1	471.7	524.6	
Discounting Factor	0.97	0.87	0.76	0.66	0.57	
Discounted cash flows	12.9	195.7	218.7	310.4	300.2	1,037.9
Terminal Value						1,851.7
Enterprise Value of JUSL as at report date						2,889.5
Adjustments for:						
Gross debt outstanding as at 30 September 2021						(2,313.7)
Surplus assets as at 30 September 2021						95.1
Refund of security deposit from JSL						204.6
Present value of MAT credit utilisation						77.7
Cash received upon preferential issue of equity shares						40.0
Equity value of JUSL as at report date						993.2

*PE22: Six months period ended 31 March 2022

FYXX: Financial year ended 31 March 20XX



Following is the summary of financial projections provided by the Management of JUSL:

a) Projected Balance Sheet

Balance sheet as at					
INR in Crore					
Particulars	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected	31-Mar-26 Projected
Equity and liabilities					
Share capital	482.5	482.5	482.5	482.5	482.5
Other equity	159.6	305.8	465.5	640.2	864.5
Non current liabilities					
Long term borrowings	1,976.2	1,950.0	1,917.7	1,882.6	1,838.9
Other non current liabilities	158.3	158.3	158.3	158.3	158.3
Current liabilities					
Short term borrowings	19.1	27.9	34.0	36.7	45.4
Trade payables	78.5	80.3	85.3	90.2	100.1
Other current liabilities	41.3	51.3	51.3	51.3	51.3
Total equity and liabilities	2,915.5	3,056.2	3,194.5	3,341.9	3,541.0
Assets					
Non current assets					
Net fixed assets	2,698.5	2,801.1	2,843.1	2,714.4	2,582.0
Other non current assets	3.7	3.7	3.7	3.7	3.7
Current assets					
Inventories	23.1	23.6	25.1	26.5	29.4
Trade receivables	18.5	18.9	20.1	21.2	23.5
Cash and cash equivalents	91.6	128.7	222.5	495.9	822.3
Other current assets	80.1	80.1	80.1	80.1	80.1
Total assets	2,915.5	3,056.2	3,194.5	3,341.9	3,541.0



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b) Projected Statement of Profit and Loss

Profit and loss statement for the year ended

INR in Crore

Particulars	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected	31-Mar-26 Projected
Revenue					
Revenue from operations	1,108.4	1,134.0	1,203.6	1,273.2	1,412.5
Total revenue	1,108.4	1,134.0	1,203.6	1,273.2	1,412.5
Expenses					
Employee benefit expenses	(26.4)	(26.4)	(28.7)	(31.1)	(35.7)
Other expenses	(550.6)	(561.4)	(598.5)	(635.6)	(709.8)
EBITDA	531.4	546.1	576.4	606.6	667.0
Depreciation	(159.0)	(162.4)	(178.0)	(193.7)	(197.5)
EBIT	372.4	383.7	398.3	412.9	469.5
Finance cost	(200.0)	(206.5)	(204.9)	(201.2)	(197.7)
Other income	22.5	-	-	-	-
PBT	194.8	177.2	193.4	211.7	271.8
Tax expense	(34.0)	(31.0)	(33.8)	(37.0)	(47.5)
PAT	160.8	146.3	159.6	174.7	224.3



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Discount Factor:

Calculation of Weighted Average Cost of Capital ('WACC') used for the purpose of discounting:

WACC has been calculated using the below formula:

$$\text{WACC} = r_d \cdot (1-t) \cdot D / (D+E) + r_e \cdot E / (D+E);$$

Where 'D' and 'E' represents debt and equity respectively; and " $r_d \cdot (1-t)$ " represents **cost of debt (post-tax)** and " r_e " represents **cost of equity**.

- The cost of debt (post-tax) has been computed using the formula:

$$r_D (\text{post-tax}) = r_D (\text{pre-tax}) \cdot (1-t)$$

Where r_D (post-tax) = Cost of debt (post tax); r_D (pre-tax) = Cost of debt (pre-tax); t = tax rate applicable to the company

- The cost of equity (r_E) has been computed using the Capital Asset Pricing Model ('CAPM') formula:

$$r_E = r_F + \beta(r_M - r_F) + \text{company specific risk premium}$$

Where r_F = Risk free rate; r_M = Market return; β = Sensitivity to the market/ measure of market risk

Calculation of WACC:

(i) Calculation of cost of equity using CAPM Model

Particulars	
Risk-free rate (A)	6.2%
Equity risk premium (B)	6.4%
Relevered beta (C)	1.87
Cost of equity before considering company specific risk [(D) = ((A)+(B)*(C))]	18.2%
Company specific risk premium (E)	4.0%
Adjusted cost of equity [(F) = (D)+(E)]	22.2%

(ii) Calculation of cost of debt (post-tax):

Particulars	
Cost of debt (pre tax) (A)	10.4%
Tax rate (B)	25.2%
Cost of debt (post tax) [(C)=(A)*(1-(B))]	7.8%

(iii) Calculation of WACC

Particulars	Weights	Cost (%)	Weighted Cost
Cost of equity (ke)	50.0%	22.2%	11.1%
Cost of debt (kd)	50.0%	7.8%	3.9%
WACC			15.0%



Note:

- a) Risk-free rate: Average 3 months daily yield of 10 Year Indian Government Bond.
- b) Equity risk premium: Aswath Damodaran database on country wise equity risk premium (ERP).
- c) Cost of debt: Based on discussion with the Management, we understand that to fund the business operations and capex requirements of the company, it can avail loan from financial institutions at an interest rate of 10.4%.
- d) Cost of equity calculated using CAPM formula as mentioned above have been adjusted for various factors such as:
 - i) uncertainty associated with future financial projections (i.e. projections risk);
 - ii) JUSL being an unlisted company

In light of above, we have therefore considered a risk premium of 4.0% to arrive at the adjusted cost of equity.

- e) Calculation of Levered Beta used for the purpose of Cost of Equity (COE):

Levered beta applicable for JUSL is calculated using the below formula:

$$B_L = B_U * [1 + ((1 - t) \times D/E)]$$

Where B_L is levered beta applicable to JUSL; B_U is mean of unlevered beta of peer companies; 't' is tax rate applicable to JUSL; and 'D' and 'E' refers to debt and equity respectively.

Unlevered beta of the following companies has been considered to calculate the levered beta applicable to JUSL for arriving at the cost of equity of JUSL:

Company	Business Description	Levered Beta*	Market Capitalization	Net Debt	Debt-Equity Ratio	Tax Rate	Unlevered Beta
Jindal Stainless Limited	Jindal Stainless Limited is engaged in the manufacturing of stainless steel products. The Company produces stainless steel slabs, HR coils, CR coils and plates across all grades as well as operates ferro chrome mining, power plant and ferro alloy facilities.	1.86	9,328.0	2,793.1	0.3	34.9%	1.07
Jindal Stainless (Hisar) Limited	Jindal Stainless (Hisar) Limited is engaged in the manufacturing of stainless steel products. It produces stainless steel strips for razor blades; and coin blanks, serving the needs of Indian and international mints. The company's product range includes slabs and blooms, hot rolled coils, cold rolled coils, plates, blade steel, coin blanks, and precision strips.	1.87	7,745.5	512.9	0.1	25.2%	1.07

* Source : Capitaline

1.07

Calculation of levered beta for cost of equity:

Particulars	
Unlevered Beta (A)	1.07
Tax rate (B)	25.2%
Debt-Equity Ratio (C)	1.00
Re-levered Beta [(D) = (A)*(1+((1-B)*(C)))]	1.87



Annexure III

Jindal Coke Limited ('JCL' or 'Amalgamating Company')

Calculation of equity value per share of JCL.

Valuation Methodologies Adopted: Discounted Cashflow ('DCF') Method and Net Asset Value ('NAV') Method.

VALUATION SUMMARY

For the purpose of arriving at the per share equity value of JCL, we have used mix of Net Asset Value Method ('NAV') Method and Discounted Cashflow ('DCF') Method.

Different values have been arrived under each of the above-mentioned methodologies. However, for the purpose of arriving at the fair value it is necessary to give appropriate weights to the values arrived at under each methodology. Weights have to be assigned after giving due considerations to qualitative factors relevant to the Company.

We have assigned equal weightage to the value arrived under each of the methods for the purpose of arriving at the fair equity value of JCL.

INR in Crore

Particulars	Equity Value	Weights %	Weighted Equity Value
Net Asset Value (NAV) method	338.4	50.0%	169.2
Discounted Cash Flow (DCF) method	801.0	50.0%	400.5
Equity value of JCL as at report date			569.7
No. of equity shares outstanding as at report date			3,24,32,432
Equity Value per share (INR per share) of JCL as at report date			175.6

A. Net Asset Value (NAV) Method

We have relied on the unaudited provisional financial statement of JCL for the six months period ended 30 September 2021 for the purpose of our value analysis.

We must emphasize that the latest financials of JCL as at the report date were not provided by the Management for our value analysis, however the Management has represented that they do not expect significant change in net asset position between 30 September 2021 and the report date. We have therefore considered all assets and liabilities appearing in the unaudited provisional balance sheet as at 30 September 2021 for the purpose of our analysis.

Further based on the discussion with the Management, we have considered JCL to be going concern and accordingly have assumed that all the assets (except tangible fixed asset and security deposit) would be realisable at the value at which they are carried in the balance sheet and all the known liabilities have been duly recorded, and there would be no additional cash outflow on account of any unrecorded liability. Accordingly, we have reduced the value of all liabilities from the value of asset to calculate the net asset value of JCL.

For valuing the tangible fixed asset held by JCL, we have entirely relied on the valuation report dated 06 January 2022 prepared and issued by RBSA Valuation Advisors LLP.

Based on discussion with the Management, we understand that Company has kept refundable security deposit amounting to INR 125.0 Crore with Jindal Stainless Limited ('JSL'). For the purpose of calculating the net asset value attributable to equity shareholders as at the report



date, we have considered the amount of INR 125 Crore to be realisable value instead of its book value reported as per Ind-AS.

Based on discussion with the Management, we understand that Company has decided to transition into the new tax regime and pay corporate tax at the rate of 25.2%. Considering this MAT credit amounting to INR 30.0 crore available with Company as at 30 September 2021 does not have any realisable value, hence we have considered the same for the purpose of our valuation analysis.

The net asset value of JCL based on the unaudited provisional balance sheet as at 30 September 2021 is set out below:

INR in Crore			
Sr.No.	Particulars	Book Value	Fair Value
A	Value of assets		
	Non current assets		
	Net fixed assets	484.2	485.3
	Other non current assets	119.7	139.7
	Current assets		
	Inventories	246.9	246.9
	Trade receivables	140.2	140.2
	Cash and cash equivalents	11.4	11.4
	Other current assets	48.0	43.3
	Total assets (A)	1,050.5	1,066.8
B	Value of liabilities		
	Non-Current Liabilities		
	Long term borrowings	346.7	346.7
	Long term provisions	1.6	1.6
	Deferred tax liabilities (Net)	71.0	101.1
	Current liabilities		
	Short term borrowings	2.7	2.7
	Trade payables	98.2	98.2
	Other current liabilities	68.9	68.9
	Total liabilities (B)	589.1	619.1
C	NAV attributable to shareholders of JCL (C) = [(A)-(B)]	461.4	447.6
	Adjusted for:		
D	Redeemable preference share capital as at the report date	(109.3)	(109.3)
E	Adjusted NAV attributable to equity shareholders of JCL (E) = [(C)+(D)]	352.1	338.4

B. Discounted Cash Flows ('DCF') Method

The equity value analysis of JCL as at the report date has been carried out on a going concern basis. In our fair value analysis, we have used DCF method based on the cash flow projections provided to us by the Management ('Management Projections') and have relied on the unaudited provisional financial statements for the six months' period ended 30 September 2021.

The Free Cash Flows to Firm ('FCFF') method has been used to determine the enterprise value of JCL. The FCFF method involves an estimation of post-tax-free cash flows over the forecast period after considering the entity's requirements for reinvestment in terms of capital expenditure, incremental working capital, project specific needs etc. The free cash flows represent the cash available for distribution to both the owners of and lenders to the business.

The free cash flows are discounted by the Weighted Average Cost of Capital (WACC) to arrive at the enterprise value. The WACC represents the returns required by the investors of debt and

equity weighed to their relative funding in the entity. The returns expected would depend on the perceived level of risk associated with the business of the Company and the industry in which the entity operates.

For arriving at the enterprise value of JCL, we have relied on the Management projections for the period from FY22 to FY26, as prepared and provided to us by the Management (as set out on subsequent pages). 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 Management Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us during the course of this engagement.

We must emphasize that the latest financials as at the report date were not provided by the Management for our value analysis, however the Management has represented that they do not expect significant change in net asset position between 30 September 2021 and the report date. We have therefore considered the financials as at 30 September 2021 for the purpose of our value analysis. Further, we have adjusted the actual performance for the six months' period ended 30 September 2021 from the annual estimate of FY22 in order to arrive at the projected cash flow for the remaining six months' period from 01 October 2021 to 31 March 2022 ('PE22').

The projected free cash flows based on these financial projections are set below:

INR in Crore

Particulars	PE22*	FY23	FY24	FY25	FY26	Terminal
EBITDA (excluding other income and non operating expenses)	130.4	217.2	209.7	244.8	303.3	252.5
Depreciation	(10.5)	(21.7)	(28.5)	(35.4)	(36.1)	(40.0)
EBIT	119.9	195.6	181.2	209.3	267.2	212.5
Tax expense	(27.2)	(45.2)	(24.6)	(29.8)	(60.0)	(53.5)
EBIT (net of tax)	92.7	150.3	156.5	179.6	207.3	159.0
Adjustments for:						
Depreciation	10.5	21.7	28.5	35.4	36.1	40.0
Changes in working capital	192.5	3.3	(11.5)	(24.2)	(18.3)	-
Capital expenditure	(99.4)	(165.0)	(165.0)	(20.0)	(20.0)	(20.0)
Free Cashflow to Firm (FCFF)	196.2	10.3	8.6	170.7	205.1	179.0

*PE22: Six months period ended 31 March 2022

FYXX: Financial year ended 31 March 20XX

Terminal cash flow (terminal value)

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy.

Based on discussions with the Management, we understand that taking into consideration the growth outlook, demand prospects etc., the Company does not expect significant growth beyond FY26. Hence, the cash flow of FY26 has been used as the base to determine the terminal value and suitable adjustments have been made to the same based on discussion with the management. The terminal value after discounting has been estimated at **INR 789.6 crore**.



Discount factor

The discount factor considered for arriving at the present value of the FCFF is the WACC, which comprises of cost of debt and equity.

The WACC using the above parameters has been estimated at 13.6% after giving appropriate allowances for illiquidity of shares and company specific risk including risk associated with achieving the financial projections, etc.

Given that cashflows are estimated to accrue evenly over the year, we have used the mid-period discounting convention to discount the cash flows.

Other Consideration

To arrive at the equity value of JCL, enterprise value arrived using DCF Method has been adjusted for the following :-

a) Gross debt

Gross debt outstanding as at 30 September 2021 comprises of term loan from bank and 10.0% NCNCRPS aggregating to an amount of INR 458.6 crore.

b) Surplus assets

Surplus assets as at 30 September 2021 comprises of investments in equity shares of Jindal Stainless Limited and cash and cash equivalents aggregating to an amount of INR 11.7 crore.

c) Security Deposit

Based on discussion with the Management, we understand that Company has kept refundable security deposit amounting to INR 125.0 crore with Jindal Stainless Limited ('JSL') for the period of 25 years i.e., upto FY33 and the fair value of the same as at 30 September 2021 is INR 13.1 crore. We have therefore considered the same for the purpose of our value analysis.

Calculation of equity value per share for JCL as at the report date using the DCF method is set out below:

INR in Crore

Particulars	PE22*	FY23	FY24	FY25	FY26	Total
Free Cashflow to Firm	196.2	10.3	8.6	170.7	205.1	
Discounting Factor	0.97	0.88	0.77	0.68	0.60	
Discounted cash flows	190.1	9.0	6.6	116.4	123.1	445.3
Terminal Value						789.6
Enterprise Value of JCL as at report date						1,234.8
Adjustments for:						
Gross debt outstanding as at 30 September 2021						(458.6)
Surplus assets as at 30 September 2021						11.7
Fair value of refundable security deposit						13.1
Equity value of JCL as at report date						801.0

*PE22: Six months period ended 31 March 2022

FYXX: Financial year ended 31 March 20XX



Following is the summary of financial projections provided by the Management of JCL:

a) Projected Balance Sheet

Balance sheet as at					
INR in Crore					
Particulars	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected	31-Mar-26 Projected
Equity and liabilities					
Share capital	32.4	32.4	32.4	32.4	32.4
Other equity	398.2	521.4	648.1	799.4	983.0
Non current liabilities					
Long term borrowings	440.8	437.4	419.6	394.9	369.7
Other non current liabilities	72.5	72.5	72.5	72.5	72.5
Current liabilities					
Short term borrowings	5.0	5.0	5.0	5.0	5.0
Trade payables	75.9	69.5	73.3	85.3	105.2
Other current liabilities	37.2	37.4	51.9	58.7	59.2
Total equity and liabilities	1,062.0	1,175.7	1,302.9	1,448.3	1,627.1
Assets					
Non current assets					
Net fixed assets	573.2	716.5	852.9	837.5	821.5
Other non current assets	101.9	98.8	95.9	93.2	90.8
Current assets					
Inventories	145.4	133.2	140.6	163.5	201.7
Trade receivables	46.3	48.9	56.9	70.2	70.2
Cash and cash equivalents	163.6	146.8	125.1	252.4	411.5
Other current assets	31.5	31.5	31.5	31.5	31.5
Total assets	1,062.0	1,175.7	1,302.9	1,448.3	1,627.1



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b) Projected Statement of Profit and Loss

Profit and loss statement for the year ended

INR in Crore

Particulars	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected	31-Mar-26 Projected
Revenue					
Revenue from operations	1,011.5	926.7	977.9	1,137.3	1,403.0
Total revenue	1,011.5	926.7	977.9	1,137.3	1,403.0
Expenses					
Employee benefit expenses	(10.4)	(10.4)	(10.5)	(10.5)	(10.5)
Other expenses	(682.6)	(699.1)	(757.7)	(882.0)	(1,089.2)
EBITDA	318.6	217.2	209.7	244.8	303.3
Depreciation	(21.0)	(21.7)	(28.5)	(35.4)	(36.1)
EBIT	297.5	195.6	181.2	209.3	267.2
Finance cost	(33.2)	(32.5)	(32.3)	(31.0)	(28.7)
Other non operating expenses	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)
Exceptional items	1.0	1.0	1.0	1.0	1.0
Other income	1.5	1.7	1.9	2.1	2.3
PBT	262.0	161.0	147.0	176.7	237.1
Tax expense	(60.0)	(37.7)	(20.3)	(25.4)	(53.5)
PAT	202.0	123.2	126.7	151.3	183.5



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Calculation of Weighted Average Cost of Capital ('WACC') used for the purpose of discounting:

WACC has been calculated using the below formula:

$$\text{WACC} = r_d \cdot (1-t) \cdot D / (D+E) + r_e \cdot E / (D+E);$$

Where 'D' and 'E' represents debt and equity respectively; and " $r_d \cdot (1-t)$ " represents **cost of debt (post-tax)** and " r_e " represents **cost of equity**.

- The cost of debt (post-tax) has been computed using the formula:

$$r_D (\text{post-tax}) = r_D (\text{pre-tax}) \cdot (1-t)$$

Where r_D (post-tax) = Cost of debt (post tax); r_D (pre-tax) = Cost of debt (pre-tax); t = tax rate applicable to the company

- The cost of equity (r_E) has been computed using the Capital Asset Pricing Model ('CAPM') formula:

$$r_E = r_F + \beta(r_M - r_F) + \text{company specific risk premium}$$

Where r_F = Risk free rate; r_M = Market return; β = Sensitivity to the market/ measure of market risk

Calculation of WACC:

(i) Calculation of cost of equity using CAPM Model:

Particulars	
Risk-free rate (A)	6.2%
Equity risk premium (B)	6.4%
Relevered beta (C)	1.39
Cost of equity before considering company specific risk [(D) = ((A)+((B)*(C))]	15.1%
Company specific risk premium (E)	5.0%
Adjusted cost of equity [(F) = (D)+(E)]	20.1%

(ii) Calculation of cost of debt (post-tax):

Particulars	
Cost of debt (pre tax) (A)	9.5%
Tax rate (B)	25.2%
Cost of debt (post tax) [(C)=(A)*(1-(B))]	7.1%

(iii) Calculation of WACC:

Particulars	Weights	Cost (%)	Weighted Cost
Cost of equity (k_E)	50.0%	20.1%	10.1%
Cost of debt (k_D)	50.0%	7.1%	3.6%
WACC			13.6%



Note:

- a) Risk-free rate: Average 3 months daily yield of 10 Year Indian Government Bond.
- b) Equity risk premium: Aswath Damodaran database on country wise equity risk premium (ERP).
- c) Cost of debt: Based on discussion with the Management, we understand that to fund the business operations and capex requirements of the company, it can avail loan from financial institutions at an interest rate of 9.5%.
- d) Cost of equity calculated using CAPM formula as mentioned above have been adjusted for various factors such as:
 - i. uncertainty associated with future financial projections (i.e. projections risk);
 - ii. JCL being an unlisted company

In light of above, we have therefore considered a risk premium of 5.0% to arrive at the adjusted cost of equity.

- e) Calculation of Levered Beta used for the purpose of Cost of Equity (COE):

Levered beta applicable for JCL is calculated using the below formula:

$$BL = BU * [1 + ((1 - t) \times D/E)]$$

Where BL is levered beta applicable to JCL; BU is mean of unlevered beta of peer companies; 't' is tax rate applicable to JCL; and 'D' and 'E' refers to debt and equity respectively.

Unlevered beta of the following companies has been considered to calculate the levered beta applicable to JCL for arriving at the cost of equity of JCL:

Company	Business Description	Levered Beta*	Market Capitalization	Net Debt	Debt-Equity Ratio	Tax Rate	Unlevered Beta
Nippon Coke and Engineering Limited	The Company is principally engaged in the manufacture and sale of coke, general coal and powder and granular equipment.	1.14	2,549.7	767.8	0.3	30.6%	0.94
Suncoke Energy Inc.	The Company is engaged in the production of coke through heating metallurgical coal in a refractory oven.	1.16	4,089.5	4,080.3	1.0	21.0%	0.65
* Source : Reuters							0.80

Calculation of levered beta for cost of equity:

Particulars	
Unlevered Beta (A)	0.80
Tax rate (B)	25.2%
Debt-Equity Ratio (C)	1.00
Re-levered Beta [(D) = (A)*(1+((1-B)*(C)))]	1.39

