

**CONFIDENTIAL**

Date: May 27, 2022

To

**The Board of Directors,  
JSW Steel Limited**  
JSW Centre, Bandra Kurla Complex,  
Bandra East, Mumbai 400051  
India

Dear Members of the Board:

**I. Engagement Background**

We understand that the Board of Directors of JSW Steel Limited (“JSW Steel” or the “Transferee Company”), Creixent Special Steels Limited (“CSSL” or the “Transferor Company 1”) and JSW Ispat Special Products Limited (“JSW Ispat” or the “Transferor Company 2”) are considering (i) An amalgamation of Transferor Company 1 with and into the Transferee Company; and (ii) An amalgamation of the Transferor Company 2 with and into the Transferee Company. The proposed merger is to be carried out pursuant to a Scheme of Arrangement (“Scheme”) under the relevant provisions of the Companies Act, 2013, as may be applicable.

JSW Steel, CSSL and JSW Ispat are hereinafter jointly referred to as Parties. CSSL and JSW Ispat are hereinafter jointly referred to as ‘Transferor Companies’.

We understand from the management of JSW Steel that, pursuant to the proposed merger, the equity shareholders of CSSL and JSW Ispat will be issued equity shares in JSW Steel as consideration for their respective shareholding in CSSL and JSW Ispat. The terms and conditions of the proposed merger are more fully set out in Draft Scheme shared with us on 27<sup>th</sup> May 2022 (“Draft Scheme”), the final version of which will be filed by the Parties with the appropriate authorities.

We further understand that the share exchange ratio for the proposed transaction has been arrived at based on the valuation report dated 27<sup>th</sup> May 2022 prepared by KPMG Valuation Services LLP (the “Valuer” or “KPMG”), who has been appointed for this exercise by JSW Steel.

Based on our perusal of the valuation report dated 27<sup>th</sup> May 2022 prepared by the Valuer, we understand that it has been proposed that pursuant to the amalgamation of CSSL into JSW Steel, for every 2 (*two*) fully paid up equity shares of the face value of INR 10 each held by the shareholders of CSSL (except for JSW Steel), JSW Steel shall issue and allot 3 (*three*) fully paid up equity shares of the face value of INR 1 each of JSW Steel (hereinafter referred to as the “Share Exchange Ratio 1”).

Based on our perusal of the valuation report dated 27<sup>th</sup> May 2022 prepared by the Valuer, we understand that it has also been proposed that pursuant to the amalgamation of JSW Ispat into JSW Steel, for every 21 (*twenty-one*) fully paid up equity shares of the face value of INR 10 each held by the shareholders of JSW Ispat (except for JSW Steel), and for every





21 (*twenty-one*) compulsorily convertible preference shares of the face value of INR 10 each held by the preference shareholders in JSW Ispat (except for JSW Steel), JSW Steel shall issue and allot 1 (*one*) fully paid up equity shares of the face value of INR 1 each of JSW Steel (hereinafter referred to as the “Share Exchange Ratio 2”).

Share Exchange Ratio 1 and Share Exchange Ratio 2 are hereinafter jointly referred to as Share Exchange Ratios.

In connection with the aforesaid, you requested our opinion (“Opinion”), as of the date hereof, as to the fairness of the share exchange ratios, as proposed by the Valuer, from a financial point of view, to the shareholders of JSW Steel.

## **II. Basis of Opinion**

The rationale for the Scheme as shared with us by the JSW Steel’s management is based on (a) The proposed amalgamation of the Transferor Company 1 with and into the Transferee Company; (b) The proposed amalgamation of the Transferor Company 2 with and into the Transferee Company; and (c) The other arrangements contemplated under the proposed Scheme, would be to the benefit of the shareholders and creditors of the Parties and would, inter alia, have the following benefits:

- Synergies in business: The companies are engaged in similar and / or complementary businesses and their proposed amalgamation pursuant to the 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 companies.
- Raw Materials: The Transferee Company has captive iron ore mines and merchant iron ore mines. The manufacturing unit of the Transferor Company 2 situated at Raigarh sources iron ore from the merchant mines of the Transferee Company and pursuant to the proposed amalgamation will also source iron ore from the captive 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 Transferor Company 2 can also be supplied by the Transferee Company itself, thereby resulting in further reduction of procurement costs.
- Utilization of surplus rolling capacity: The Transferor Company 2 commenced its slab manufacturing capacity in FY 2022. With the commissioning of second electric arc furnace (EAF) by the Transferor Company 2 in Q2 FY 2022, 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 Transferor Company 2 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 mill.





- Simplified structure and management efficiency: The proposed amalgamation will result in a simplification of the existing legal structure and eliminate administrative duplications, consequently reducing the administrative costs of maintaining separate companies and reduction in the multiplicity of legal and regulatory compliances.
- Enhancing presence in central India: The Transferee Company does not have manufacturing presence in central India. Pursuant to the proposed amalgamation, the Parties shall be better positioned to service customer needs basis their combined portfolio of products and marketing capabilities in central India. The proposed amalgamation will provide opportunities to access new markets, segments, product offerings and customer base in central India. Further, with a common credit management system, the customers are expected to benefit from an enhanced channel financing facility from the combined company.
- 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.

Some key details related to each of the aforesaid companies is as under –

CSSL is a public company, limited by shares, incorporated under the Companies Act, 2013 and has its registered office at JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, India. CSSL has issued certain Non-Convertible Debentures, which are listed on the wholesale debt market segment of BSE Limited. CSSL is engaged inter alia in the the business of trading in steel and steel products and holding investments.

JSW Ispat is a public company, limited by shares, incorporated under the Indian Companies Act, 1956 and has its registered office at JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai - 400051. The equity shares of JSW Ispat are listed on BSE Limited and National Stock Exchange of India Limited. JSW Ispat is engaged, inter alia, in the business of manufacturing and marketing of sponge iron, pellets, steel and ferro alloys.

JSW Steel is a public company, limited by shares, incorporated under the Indian Companies Act, 1956 and has its registered office at JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai - 400051. The equity shares of JSW Steel are listed on BSE Limited and National Stock Exchange of India Limited (“NSE”). JSW Steel is engaged, inter alia, in the business of manufacturing steel and offers a wide gamut of steel products.

The key features of the Scheme provided to us through the Draft Scheme are as under:

1. With effect from the Appointed Date (as defined in the Draft Scheme) and upon the scheme becoming effective, the Transferor Companies along with all its assets, liabilities, contracts, employees, licenses, records, approvals etc. being integral parts of the Transferor Companies shall stand transferred to and vest in or shall be deemed to have been transferred to and vested in the Transferee Company, as a going concern

Axis Capital Limited  
(Erstwhile "Axis Securities and Sales Limited")  
SEBI Merchant Regn No.:MB/INM000012029  
Member Of: BSE Ltd. & National Stock  
Exchange of India Ltd., Mumbai.  
CIN No. U51900MH2005PLC157853

Corporate Office  
Axis House, C-2, Wadia International Centre,  
PB Marg, Worli, Mumbai - 4000 025  
Tel No.: 022-43251199 Fax No.: 022-43253000  
www.axiscapital.co.in

Registered Office  
Axis House, 8<sup>th</sup> Floor, Wadia International Centre,  
Pandurang Budhkar Marg, Worli, Mumbai - 400 025



**AXIS CAPITAL**



2. As consideration for the merger of CSSL and JSW Ispat into JSW Steel, JSW shall issue and allot equity shares to the equity shareholders of CSSL (except for JSW Steel) and the equity and compulsorily convertible preference shareholders of JSW Ispat (except for JSW Steel) proportionate to their holding in CSSL and JSW Ispat respectively
3. JSW Steel shares to be issued and allotted by JSW steel in terms of the Scheme shall be subject to the provisions of the memorandum and articles of association of JSW Steel and shall rank *pari passu* in all respects and shall have the same rights attached to the then existing equity shares of JSW Steel
4. Upon the coming into effect of the Scheme, CSSL and JSW Ispat shall stand dissolved without being wound up
5. Share Exchange Ratios are based on the valuation report dated 27<sup>th</sup> May 2022 submitted by the Valuer

We have relied upon the Draft Scheme and taken the abovementioned key features of the scheme (together with other facts and assumptions set forth in section III of this Opinion) into account while determining the meaning of “fairness”, from a financial point of view, for the purposes of this Opinion.

### III. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by JSW Steel (including for CSSL) and JSW Ispat including the valuation report prepared by the Valuer and the Draft Scheme.

In connection with this Opinion, we have:

- (i) reviewed the Draft Scheme and the valuation reports dated 27<sup>th</sup> May 2022 prepared by the Valuers;
- (ii) reviewed certain publicly available historical and operational information with respect to each of the relevant entities available in their respective annual & interim reports and company presentations;
- (iii) reviewed certain historical business and financial information relating to each of the relevant entities, as provided by the respective companies, and sought certain clarifications with respect to the same;
- (iv) considered publicly available research on CSSL, JSW Ispat and JSW Steel as available with us as at the date hereof;
- (v) held discussions with the Valuer, in relation to the approach taken to valuation and the details of the various methodologies utilized by them in preparing the valuation report and recommendations;
- (vi) sought various clarifications from the respective senior management teams of the relevant companies;
- (vii) reviewed historical stock prices and trading volumes of JSW Steel’s and JSW Ispat’s shares on BSE & NSE; and
- (viii) performed such other financial analysis and considered such other information and factors as we deemed appropriate.

We have assumed and relied upon the accuracy and completeness of all information and documents provided to us, data publicly available or otherwise reviewed by or discussed with us. We have relied upon the Transferee Company and the Transferor Company 1 and Transferor Company 2 assurances that they are not aware of any facts or circumstances that would make such information or data incomplete, inaccurate or misleading in any material respect.





We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of JSW Steel, CSSL and JSW Ispat, and / or their subsidiaries/affiliates. In particular, we do not express any opinion as to the value of any asset of JSW Steel, CSSL and JSW Ispat, and / or their subsidiaries/affiliates, whether at current time or in the future. No investigation of JSW Steel's, CSSL's and JSW Ispat's claim to title of assets has been made for the purpose of the exercise and the claim to such rights has been assumed to be fully valid. No consideration has been given to liens or encumbrances against the assets. Therefore, no responsibility whatsoever is assumed for the above-mentioned matters. Further, we have not evaluated the solvency or fair value of JSW Steel and / or CSSL and / or their subsidiaries/affiliates under any law relating to bankruptcy, insolvency or similar matter.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover, in this case where equity shares of JSW Steel are being issued as consideration to the shareholders of CSSL and JSW Ispat, it is not the absolute per share value that is important for framing an opinion but the relative per share value of JSW Steel vis-à-vis per share value of CSSL and relative per share value of JSW Steel vis-à-vis per share value of JSW Ispat.

We have assumed, with the Transferee Company's consent, that the scheme will be in compliance with all applicable laws and other requirements and will be implemented on the terms described in the Draft Scheme, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the scheme, no extraordinary delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Transferee Company, Transferor Company 1 and / or their relevant subsidiaries/ affiliates and their respective shareholders, and Transferor Company 2 and / or their relevant subsidiaries/ affiliates and their respective shareholders. We have assumed, at the directions of the Transferee Company that the final scheme will not differ in any material respect from the Draft Scheme. We understand from the Transferee Company's management that the scheme will be given effect to in totality and not in parts.

We express no view or opinion as to any terms or other aspects of the Draft Scheme (other than the Share Exchange Ratios, from a financial point of view) including, without limitation, the form or structure of the proposed transaction. We were not requested to, and we did not, participate in the negotiations for the proposed transaction. Our Opinion is limited to the fairness, from a financial point of view, of the share exchange ratios proposed by the Valuer, to the shareholders of JSW Steel. Our analysis relates to the relative values of JSW Steel, CSSL and JSW Ispat. However, the actual transaction value may be significantly different from the result of our analysis and would depend on a number of factors, including the negotiating ability and motivations of the respective buyer and seller. We express no opinion or view with respect to the financial implications of the proposed transaction for any stakeholders, including creditors of the Transferee Company, the Transferor Company 1 and/or the Transferor Company 2.





We express no view as to, and our Opinion does not address, the underlying business decision of the Transferee Company to effect the proposed transaction, the relative merits of the proposed transaction as compared to any other alternative business strategy, the effect of the proposed transaction on the Transferee Company or its affiliates, including, without limitation, possible implications on ownership structure, listing format, capital structure or trading price of JSW Steel's shares post completion of the proposed transaction. The Transferee Companies remain solely responsible for the commercial assumptions on the basis of which it agrees to proceed with the proposed transaction. Our Opinion is necessarily based only upon information as referred to in this letter. We have relied solely on representations, whether verbal or otherwise, made by the management of JSW Steel, CSSL and JSW Ispat, for areas where the same has been made.

We do not express any Opinion as to any tax or other consequences that might arise from the scheme on JSW Steel, CSSL and JSW Ispat and / or their subsidiaries/affiliates, and their respective shareholders, nor does our Opinion address any legal, tax, regulatory (including all SEBI regulations) or accounting matters, as to which we understand that the respective companies have obtained such advice as they deemed necessary from qualified professionals. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, Governmental investigation or other contingent liabilities to which the Transferee Companies, Transferor Company and/or their subsidiaries/affiliates, are/or may be a party.

Our Opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect this Opinion and we assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

Our Opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance, shareholders' rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the scheme other than the fairness, from a financial point of view, of the share exchange ratios proposed by the Valuer, to the shareholders of JSW Steel.

While we have provided our recommendation as to the fairness of the Share Exchange Ratios based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the share exchange ratios. The final responsibility for the determination of the exchange ratio at which the proposed merger shall take place will be with the Board of Directors of the respective companies who should take into account other factors such as their own assessment of the merger.

We may have in the past provided, and may currently or in the future provide, investment banking services to the Transferee Company, Transferor Company 1, Transferor Company 2 and/or their subsidiaries or their respective affiliates that are unrelated to the proposed scheme, for which services we have received or may receive customary fees. Our engagement as a fairness opinion provider is independent of our other business relationships, which we may have with the





Transferee Company, Transferor Company 1, Transferor Company 2 and/or their subsidiaries or their respective affiliates. In addition, in the ordinary course of their respective businesses, affiliates of Axis Capital Limited may invest in securities of the Transferee Company, Transferor Company 1, Transferor Company 2 and / or their subsidiaries or group companies, for their own accounts and for the accounts of their customers subject to compliance of SEBI (Prohibition of Insider Trading) Regulations and, accordingly, may at any time hold a position in such securities. We will not be responsible to any other person/party for any decision. Our engagement and the Opinion expressed herein are solely for the benefit of the Board of Directors of the Transferee Company (in its capacity as such) in connection with its consideration of the scheme and for none other. Delivery of our Opinion does not create any fiduciary, equitable or contractual duties on Axis Capital Limited (including, without limitation, any duty of trust or confidence). It is hereby notified that any reproduction, copying or otherwise quoting of this document or any part thereof except for the purpose mentioned herein can only be done with our prior permission in writing. Further, our Opinion is being provided only for the limited purpose of complying with the SEBI regulations and the requirement of the stock exchanges on which the Company is listed or as required under applicable law, and for no other purpose. Neither Axis Capital Limited, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, make any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

The Transferee Company has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our final Opinion.

The fee for our services is not contingent upon the results of the proposed scheme. This document is subject to the laws of India.

Our Opinion is not intended to and does not constitute a recommendation to any party as to how such party should vote or act in connection with the scheme or any matter related thereto.

#### **IV. Conclusion**

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, the Share Exchange Ratios, as proposed by the Valuer, is fair to the shareholders of JSW Steel from a financial point of view.

Very truly yours,

**For Axis Capital Ltd.**



**Suraj Krishnaswamy,  
Executive Director, Axis Capital Limited**