



Regd. Office: JSW Centre,
Bandra-Kurla Complex,
Bandra East, Mumbai – 400 051
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REPORT OF THE INDEPENDENT DIRECTORS OF JSW STEEL LIMITED (“COMPANY” OR “TRANSFEREE COMPANY”) RECOMMENDING THE COMPOSITE SCHEME OF ARRANGEMENT AMONGST THE COMPANY, CREIXENT SPECIAL STEELS LIMITED AND JSW ISPAT SPECIAL PRODUCTS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

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

Directors present:

1. Mr. Seturaman Mahalingam
2. Mr. Harsh Mariwala
3. Mr. Haigreve Khaitan
4. Mrs. Nirupama Rao

Leave of Absence: Mrs. Punita Kumar Sinha

The Independent Directors of the Company unanimously elected Mr. Seturaman Mahalingam, Lead Independent Director, as the chairperson of the meeting.

1. Background

- 1.1. The proposed composite scheme of arrangement amongst the Company, Creixent Special Steels Limited (“**Transferor Company 1**”) and JSW Ispat Special Products Limited (“**Transferor Company 2**”) and their respective shareholders and creditors (“**Scheme**”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**the Act**”) read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, and the relevant provisions of the Securities and Exchange Board of India (“**SEBI**”) Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 (“**SEBI Circular**”) and Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, has been placed before the Independent Directors of the Company at their meeting held on May 27, 2022 for the Independent Directors of the Company to consider and approve the said Scheme.
- 1.2. As per the requirements under the SEBI Circular, the Independent Directors of the Company are required to adopt a report recommending the Scheme, taking into consideration, *inter alia*, that the scheme is not detrimental to the shareholders of the Company.
- 1.3. This report, in connection with the Scheme, has been accordingly adopted by the Independent Directors of the Company in order to comply with the requirements under the SEBI Circular, after considering, discussing and reviewing, *inter-alia*, the following:
 - (a) the draft Scheme which is duly initialled by Company Secretary of the Company for the purpose of identification;



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- (b) valuation report dated May 27, 2022 issued by KPMG Valuation Services LLP, an independent valuer, in respect of the share exchange ratios set out under the Scheme;
- (c) fairness opinion dated May 27, 2022 issued by Axis Capital Limited, an independent and SEBI registered Category I merchant banker, providing opinion on the fairness of the share exchange ratios proposed in the valuation report; and
- (d) draft certificate from the statutory auditor of the Company, SRBC & Co LLP.

2. Need and rationale for the Scheme

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

- (a) ***Synergies in business:*** The parties are engaged in similar and / or complementary businesses and their proposed amalgamation pursuant to this Scheme will create synergies between their businesses, including by pooling of their financial, managerial, technical, distribution, marketing and other resources. The proposed amalgamation is expected to, *inter-alia*, result in reduction of costs, better alignment, coordination and streamlining of day-to-day operations of the units.
- (b) ***Optimization of raw material procurement:*** The Transferee Company has captive iron ore mines and merchant iron ore mines. The manufacturing unit of the Transferor Company 2 situated at Raigarh sources iron ore from the merchant mines of the Transferee Company and pursuant to the proposed amalgamation, the Transferor Company 2 will also source iron ore from the captive iron ore mines of the Transferee Company, which are located closer to the Transferor Company 2, than the merchant iron ore mines of the Transferee Company. Such combined sourcing of raw materials will result in reduction in overall cost of procurement. Further, the requirement of coke for the manufacturing activities of the Transferor Company 2 can also be supplied by the Transferee Company, thereby resulting in further reduction of procurement costs.
- (c) ***Utilization of surplus rolling capacity:*** The Transferor Company 2 commenced its slab manufacturing capacity in FY 2022. With the commissioning of a second electric arc furnace (EAF) by Transferor Company 2 expected in Q2 FY 2023, its ability to produce crude steel will increase. The facilities of the Transferee Company at Vijayanagar and Anjar have surplus rolling capacity. Thus, the slabs manufactured by the 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 mills.
- (d) ***Simplified structure and management efficiency:*** The proposed amalgamation will result in a simplification of the existing corporate structure and eliminate administrative duplications, consequently reducing the administrative costs of maintaining separate companies, while reducing multiple legal and regulatory compliances.
- (e) ***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



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portfolio of products and marketing capabilities in central India. The proposed amalgamation will provide opportunities to access new markets, segments, product offerings and customers in central India. Further, with a common credit management system, the customers are expected to benefit from an improved channel financing facility from the combined company.

- (f) *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.
- 2.2. The Transferor Company 1 holds equity shares and compulsorily convertible preference shares of the Company. Accordingly, pursuant to the amalgamation of the Transferor Company 2 with the Transferee Company, the Transferor Company 1 need not exist as a separate legal entity.
- 3. Scheme not detrimental to shareholders of the Company**
- 3.1. The Independent Directors of the Company noted that the Scheme will provide an opportunity to improve the economic value of the Company. This is particularly marked in the improved synergies that will arise pursuant to the Scheme.
- 3.2. Therefore, considering the above and other documents presented, the Independent Directors of the Company are of the view that the Scheme is not detrimental to the shareholders of the Company.
- 4. Recommendation of the Independent Directors of the Company**
- 4.1. The Independent Directors of the Company, after due deliberations and due consideration of all the terms of the Scheme, in particular the fact that the Scheme is not detrimental to the shareholders of the Company, recommends the Scheme for approval of the Board of Directors of the Company.

For and on behalf of the Independent Directors of JSW Steel Limited

Seturaman Mahalingam
Designation: Lead Independent Director

Date: May 27, 2022
Place: Mumbai