



KPMG Valuation Services LLP
15th and 16th Floor,
Central B Wing and North C Wing,
Nesco IT Park 4, Nesco Center,
Western Express Highway,
Goregaon (East), Mumbai - 400063, India.

Telephone: +91 (22) 6134 9200
Fax: +91 (22) 6134 9220
Internet: www.kpmg.com/in
Email: indiawebsite@kpmg.com

Dated: 27 May 2022

To,
The Board of Directors,
JSW Steel Limited
JSW Centre, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
Maharashtra, India

Re: Recommendation of Share Exchange ratio for the proposed merger of JSW Ispat Special Products Limited and Creixent Special Steels Limited into JSW Steel Limited

Dear Sir/ Madam,

We refer to the engagement letter dated 19 May 2022 whereby JSW Steel Limited (hereinafter referred as "JSW Steel", or "Client", or "You") has requested KPMG Valuation Services LLP (hereinafter referred to as "KPMG" or "Valuer" or "us" or "we") to recommend an equity exchange ratio in connection with the proposed Transaction defined hereinafter.

BACKGROUND OF THE COMPANIES

JSW Steel Limited is a public limited company incorporated on March 15, 1994, under the Companies Act, 1956 having its registered office at JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai - 400051, with corporate identification number L27102MH1994PLC152925. JSW Steel is engaged in the business of manufacturing steel and offers a wide gamut of steel products. JSW Steel Limited has an installed steel-making capacity of over 18 MTPA.

JSW Steel had consolidated revenue from operations and profit after tax of INR 1,375,470 million and INR 220,580 million, respectively for the year ended 31 March 2022 as per its provisional financial statements. JSW Steel had a net worth of INR 688,970 million as on 31 March 2022 as per its provisional financial statements (all the numbers mentioned in this para are at consol level).

JSW Ispat Special Products Limited ("JSW Ispat) is a public limited company incorporated on February 01, 1990, under the Companies Act, 1956 having its registered office at JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai - 400051, with corporate identification number L02710MH1990PLC363582. JSW Ispat is engaged in the business of manufacturing and marketing of sponge iron, pellets, steel and ferro alloys. In addition, it operates power generation facilities with an installed capacity of 234 MW. JSW Ispat was formerly known as Monnet Ispat and Energy Limited and changed its name to JSW Ispat Special Products Limited in September 2020.

JSW Ispat had revenue from operations and profit after tax of INR 60,607 million and INR 15 million, respectively for the year ended 31 March 2022 as per its audited financial statements.





JSW Ispat had a net worth of INR 13,930 million as on 31 March 2022 as per its audited financial statements (*all the numbers mentioned in this para are at consolidated level*).

Creixent Special Steels Limited (Creixent), is a public limited company incorporated on February 27, 2018, under the Companies Act, 2013 having its registered office at JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, with corporate identification number U27209MH2018PLC375319. Creixent is engaged in the business of trading in steel and steel products and holding investments.

Creixent had revenue from operations and loss after tax of INR 60,607 million and INR 781 million respectively for the year ended 31 March 2022 as per its provisional financial statements. Creixent had a net worth of INR 140 million as on 31 March 2022 as per its provisional financial statements (*all the numbers mentioned in this para are at consolidated level*).

The equity shares of JSW Steel and JSW Ispat are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").

SCOPE AND PURPOSE OF THIS REPORT

We understand that the managements of JSW Steel, JSW Ispat and Creixent ("Management/s") are contemplating the merger of JSW Ispat and Creixent into JSW Steel on a going concern basis with effect from the proposed Appointed Date of 1 April 2022, pursuant to a Scheme of Arrangement under the provisions of Sections 230 to 232 of the Companies Act, 2013 (including any statutory modifications, re-enactment or amendments thereof) and other applicable securities and capital market laws and rules issued thereunder to the extent applicable (the "Scheme") (the "Proposed Transaction"). In consideration thereof, equity shares of JSW Steel will be issued to the equity shareholders of JSW Ispat and Creixent. The number of equity shares of JSW Steel of face value of INR 1/- each to be issued for the equity shares/ CCPS of JSW Ispat ("Share Exchange Ratio 1") and Creixent ("Share Exchange Ratio 2") in the event of the Proposed Transaction is collectively referred to as the "Equity Share Exchange Ratio".

It is in this connection that the Client has requested us to render our professional services by way of carrying out a relative valuation of JSW Steel, JSW Ispat and Creixent (together referred as the "the Companies" or "Businesses") and submit a report recommending the Equity Share Exchange Ratio for the Proposed Transaction, on a going concern basis with 31 March 2022 being the valuation date, (the "Services") for the consideration of the Board of Directors (including audit committees, if applicable) of the Client in accordance with the applicable Securities and Exchange Board of India ("SEBI"), the relevant stock exchanges', and relevant laws, rules and regulations. To the extent mandatorily required under applicable laws of India, this report maybe produced before the judicial, regulatory or government authorities, stock exchanges, shareholders in connection with the Proposed Transaction.

The scope of our services is to conduct a relative valuation (not an absolute valuation) of the Businesses and recommend Equity Share Exchange Ratio for the Proposed Transaction.

We have been informed by JSW Steel that JSW Ispat and Creixent have also appointed another independent valuer ("Second Valuer") for the proposed Transaction. Both the valuers (jointly





referred as "Valuers") have been appointed severally and not jointly and have worked independently in their analysis. Further, upon conclusion of our work and prior to issue of the report, we have discussed our findings, methodology and approach with the Second Valuer. No documents including valuation workings have been shared by us with the Second Valuer. Although the Valuers have independently arrived at different values per share of the Businesses, we have arrived at a consensus on the Equity Share Exchange Ratio, after making appropriate minor adjustments/ rounding off.

We have considered financial information up to 31 March 2022 (the "Valuation Date") in our analysis and made adjustments for facts made known to us till the date of our report, including taking into consideration current market parameters, which will have a bearing on the valuation analysis. The Managements have informed us that they do not expect any events which are unusual or not in normal course of business up to the effective date of the Proposed Transaction, other than the events specifically mentioned in this report. We have relied on the above while arriving at the Equity Share Exchange Ratio for the Proposed Transaction.

This report is our deliverable in respect of our recommendation of the Equity Share Exchange Ratio for the Proposed Transaction.

This report and the information contained herein is absolutely confidential. The report will be used by the Client only for the purpose, as indicated in this report and the Engagement Letter, for which we have been appointed. The results of our valuation analysis and our report cannot be used or relied by the Client for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person/ party for any decision of such person/ party based on this report. Any person/ party intending to provide finance/ invest in the shares/ businesses of the Companies/ their holding companies/ subsidiaries/ joint ventures/ associates/ investee/ group companies, if any, shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. If any person/ party (other than the Client) chooses to place reliance upon any matters included in the report, they shall do so at their own risk and without recourse to the Valuer. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this report or any part thereof, except for the purpose as set out earlier in this report, without our prior written consent, is not permitted, unless there is a statutory or a regulatory requirement to do so.

The report including, (for the avoidance of doubt) the information contained in it is absolutely confidential and intended only for the sole use and information of the Client. Without limiting the foregoing, we understand that the Client may be required to submit the report to or share the report with their professional advisors, shareholders, merchant bankers providing fairness opinion on the equity share exchange ratio and regulatory authorities/ stock exchanges, in connection with the Proposed Transaction (together, "Permitted Recipients"). We hereby give consent to the disclosure of the report to any of them, subject to the Client ensuring that any such disclosure shall be subject to the condition and understanding that:





- it will be the Client's responsibility to review the report and identify any confidential information that it does not wish to or cannot disclose;
- we owe responsibility to only to the Client that have engaged us and nobody else, and to the fullest extent permitted by law;
- we do not owe any duty of care to anyone else other than the Client and accordingly that no one other than the Client is entitled to rely on any part of the report;
- we accept no responsibility or liability towards any third party (including, the Permitted Recipients) to whom the report may be shared with or disclosed or who may have access to the report pursuant to the disclosure of the report to the Permitted Recipients. Accordingly, no one other than the Client shall have any recourse to us with respect to the report;
- we shall not under any circumstances have any direct or indirect liability or responsibility to any party engaged by the Client or to whom the Client may disclose or directly or indirectly permit the disclosure of any part of the report and that by allowing such disclosure we do not assume any duty of care or liability, whether in contract, tort, breach of statutory duty or otherwise, towards any of the third parties.

It is clarified that reference to this valuation report in any document and/ or filing with aforementioned tribunal/ judicial/ regulatory authorities/ government authorities/ stock exchanges/ courts/ shareholders/ professional advisors/ merchant bankers, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by the Valuer of any responsibility or liability to any person/ party other than the Boards of Directors of the Client.

This report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

DISCLOSURE OF INTEREST/ CONFLICT

- KPMG is not affiliated to the Client in any manner whatsoever.
- KPMG does not have a prospective interest in the business which is the subject of this report.
- KPMG's fee is not contingent on an action or event resulting from the analyses, opinions or conclusions in this report.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information shared with us during the course of the engagement:

- Salient features of the Proposed Scheme of Arrangement
- Historical financials of the Companies and the subsidiaries
- Projections of the Companies and the subsidiaries, as applicable
- Discussion with the Managements of the Companies in connection with the operations of the respective Companies/ subsidiaries, past and present activities, future plans and prospects, details of the proposed deal in certain subsidiaries of the Companies as recently announced, share capital and shareholding pattern of the Companies.





- For our analysis, we have relied on published and secondary sources of data, whether or not made available by the Companies. We have not independently verified the accuracy or timeliness of the same; and
- Such other analysis and enquiries, as we considered necessary

We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the Managements and representatives of the Companies. The Client has been provided with the opportunity to review the draft report (excluding the recommended Equity Share Exchange Ratio) for this engagement to make sure that factual inaccuracies are avoided in our final report.

As per the Managements the business activities of the Businesses have been impacted due to Covid-19 pandemic and the consequent lockdown in various countries including India. The Management has represented that the impact of Covid-19, if any, on the business operations of Companies have been considered/ factored in the projections. The Management has further represented that no material adverse change has occurred in their respective operations and financial position of the Businesses between 31 March 2022 and the report date.

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 or our affiliates.

This report, its content, and the results herein are specific to the purpose of valuation and the Valuation Date mentioned in the report and agreed as per the terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the Equity Share Exchange Ratio for the Proposed Transaction as on the Valuation Date. We have considered only circumstances existing at the Valuation Date and events occurring up to the Valuation Date. Events and circumstances may have occurred since the Valuation Date concerning the financial position of the Companies or any other matter and such events or circumstances might be considered material by the Companies or any third party. We have taken into account, in our valuation analysis, such events and circumstances occurring after the Valuation Date as disclosed to us by the Companies, to the extent considered appropriate by us based on our professional judgement. Further, we have no responsibility to update the report for any events and circumstances occurring after the date of the report. Our valuation analysis was completed on a date subsequent to the Valuation Date and accordingly we have taken into account such valuation





parameters and over such period, as we considered appropriate and relevant, up to a date close to such completion date.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information received from the Companies till 26 May 2022 and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). You acknowledge and agree that you have the final responsibility for the determination of the Equity Share Exchange Ratio at which the proposed transaction shall take place and factors other than our Valuation report will need to be taken into account in determining the Equity Share Exchange Ratio; these will include your own assessment of the Proposed Transaction and may include the input of other professional advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data. In accordance with the terms of our engagement, we have carried out relevant analyses and evaluations through discussions, calculations and such other means, as may be applicable and available, we have assumed and relied upon, without independently verifying, (i) the accuracy of the information that was publicly available, sourced from subscribed databases and formed a substantial basis for this report and (ii) the accuracy of information made available to us by the Companies. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. Our valuation does not constitute as an audit or review in accordance with the auditing standards applicable in India, accounting/ financial/ commercial/ legal/ tax/ environmental due diligence or forensic/ investigation services and does not include verification or validation work. In accordance with the terms of our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical and projected financial information, if any, provided to us regarding the Companies/ their holding/ subsidiary/ associates/ joint ventures/ investee companies, if any. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the historical financials/ financial statements and projections. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Companies. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies 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. Our conclusion is based on the assumptions and information given by/on behalf of the Companies. The respective Managements of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report.





The report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration 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 recorded in the audited/ unaudited balance sheets of the Companies/ their holding/ subsidiary/ associates/ joint ventures/ investee companies, if any. Our conclusion of value assumes that the assets and liabilities of the Companies reflected in their respective latest audited or provisional balance sheets remain intact as of the report date. No investigation of the Companies'/ subsidiaries claims to title of assets has been made for the purpose of this report and the Companies'/ subsidiaries 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. Therefore, no responsibility is assumed for matters of a legal nature.

Our report is not nor should it be construed as our opining or certifying the compliance of the Proposed Transaction with the provisions of any law/ standards including companies, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws/ standards or as regards any legal, accounting or taxation implications or issues arising from such Proposed Transaction.

Our report is not nor should it be construed as our recommending the Proposed Transaction or anything consequential thereto/ resulting therefrom. This report does not address the relative merits of the Proposed Transaction as compared with any other alternatives or whether or not such alternatives could be achieved or are available. Any decision by the Companies/ their shareholders/ creditors regarding whether or not to proceed with the Proposed Transaction shall rest solely with them. We express no opinion or recommendation as to how the shareholders/ creditors of the Companies should vote at any shareholders'/ creditors' meeting(s) to be held in connection with the Proposed Transaction. This report does not in any manner address, opine on or recommend the prices at which the securities of the Companies could or should transact at following the announcement/ consummation of the Proposed Transaction. Our report and the opinion/ valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities or as providing management services or carrying out management functions. It is understood that this analysis does not represent a fairness opinion.

We express no opinion on the achievability of the forecasts, if any, relating to the Companies/ their subsidiaries/ associates/ joint ventures/ investee companies/ their businesses given to us by the Managements. The future projections are the responsibility of the respective management of the Companies. The assumptions used in their preparation, as we have been explained, are based on their present expectation of both – the most likely set of future business events and circumstances and the respective management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.





In light of the emergence and spread of the Covid-19, there is uncertainty which could persist for some time. As a result, our work may not have identified, or reliably quantified the impact of, all such uncertainties and implications. Further, the information used in the Valuation, including the forecast financial information, has been provided to us by Management, and we have necessarily relied upon this. Such information and underlying assumptions represent Management's best estimates of the company's likely performance as at the date of their preparation. The assumptions will need to be reviewed and revised to reflect any changes as a result of the Coronavirus. If the information shown in this report or the assumptions on which this report is based are subsequently shown to be incorrect or incomplete, this could have the effect of changing the valuation conclusions set out in this report and these changes could be material. We are under no obligation to amend our report for any subsequent event or new information.

We have not conducted or provided an analysis or prepared a model for any individual assets/liabilities and have wholly relied on information provided by the Companies in that regard.

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 Proposed Transaction, without our prior written consent.

This valuation report is subject to the laws of India.

Any discrepancies in any table/ annexure between the total and the sums of the amounts listed are due to rounding-off.

SHARE CAPITAL DETAILS OF THE COMPANIES

JSW Steel Limited

As at 31 March 2022 and the report date, the paid up equity share capital of JSW Steel is INR 2,417.2 million consisting of 2,417,220,440 equity shares of face value of INR 1/- each fully paid up. These include 16,716,857 treasury shares held under ESOP Trust, resulting in the outstanding paid up equity share capital of ~ INR 2,400.5 million consisting of 2,400,503,583 equity shares of face value of INR 1/- each fully paid up. The shareholding pattern of JSW Steel is as follows

Category	No of Shares	% shareholding
Promoter & Promoter Group	1,088,057,750	45.01
Public	1,321,658,384	54.68
Non Promoter- Non Public	7,504,306	0.31
Total	2,417,220,440	100.0

JSW Ispat

As at 31 March 2022 and report date, the paid up equity share capital of JSW Ispat is INR 4,695.5 million consisting of 469,547,534 equity shares of face value of INR 10/- each fully paid up, and





525,980,000, 0.01% Compulsory Convertible Preference Shares (CCPS) at par value of 10/- each, which we have considered for the purpose of the valuation analysis.

Category	No of Shares	No of CCPS	% shareholding*
Promoter & Promoter Group	249,649,241	525,980,000	77.91
Public	219,898,293	-	22.09
Total	469,547,534	525,980,000	100.0

* % Shareholding on a fully diluted basis

As per the terms of CCPS, each CCPS shall be convertible into 1 (one) equity share at any date prior to the expiry of the term of 20 (Twenty) years from the date of issuance of the CCPS ("CCPS Term") at the option of the holder of the CCPS. Unless already converted each CCPS outstanding at the expiry of the CCPS Term shall be compulsorily converted into 1 (one) equity share of the company. Give the above, we have considered the number of shares on a fully diluted basis for the purpose of our valuation exercise.

Creixent

As at 31 March 2022 and report date, the paid up equity share capital of Creixent Special Steels is INR 100 million consisting of 10,000,000 equity shares of face value of INR 10/- each fully paid up, which we have considered for the purpose of the valuation analysis.

Category	No of Shares	% shareholding
Promoter & Promoter Group	10,00,000	100.0
Total	10,00,000	100.0

APPROACH AND METHODOLOGY – BASIS OF TRANSACTION

The Scheme contemplates merger of JSW Ispat and Creixent with JSW Steel under Sections 230 to 232 and other relevant provisions of the Companies Act, 2013 and rules issued thereunder to the extent applicable.

Arriving at the Equity Share Exchange Ratio for the purposes of an arrangement such as the Proposed Transaction, would require determining the relative values of each company involved and of their shares. These values are to be determined independently but on a relative basis, and without considering the effect of the arrangement.

BASIS OF VALUE

The report has been prepared on the basis of "Fair Value" as at Valuation Date. The generally accepted definition of "Fair Value" is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.



PREMISE OF VALUE

The report has adopted "Going Concern Value" as the premise of value in the given circumstances. The generally accepted definition of Going concern value is the value of a business enterprise that is expected to continue to operate in the future.

We have carried out the valuation in accordance with the principles laid in the ICAI Valuation Standards, as applicable to the purpose and terms of this engagement.

The three main valuation approaches are the market approach, income approach and asset approach. There are several commonly used and accepted methods within the market approach, income approach and asset approach, for determining the relative fair value of equity shares of a company, which can be considered in the present valuation exercise, to the extent relevant and applicable, to arrive at the Equity Share Exchange Ratio for the purpose of the Proposed Transaction, such as:

- Market Approach - Market Price Method; Comparable Companies Multiples (CCM) Method
- Income Approach - Discounted Cash Flow (DCF) Method
- Asset Approach - Net Asset Value (NAV) Method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies/businesses, and other factors which generally influence the valuation of companies and their 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 purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of method of valuation has been arrived at using usual and conventional methods adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Asset Approach - Net Asset Value Method

Under the asset approach, the net asset value (NAV) method is considered, which is based on the underlying net assets and liabilities of the company, taking into account operating assets and liabilities on a book value basis and appropriate adjustments for, inter alia, value of surplus/ non-operating assets.

Income Approach: Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalised) amount. The value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Under DCF method, the projected free cash flows from business operations available to all providers of capital are discounted at the weighted average cost of capital to such capital providers, on a market participant basis, and the sum of such discounted free cash flows is the value of the business from which value of debt and other capital is deducted, and other relevant adjustments made to arrive at the value of the equity – Free Cash Flows to Firm (FCFF) technique; This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of DCF valuation, the free cash flow forecast is based on projected financials as provided by the Management of the Companies. While carrying out this engagement, we have relied on historical information made available to us by the Management of the Companies and the projected financials for future related information. Although we have read, analyzed and discussed the Management Business Plan for the purpose of undertaking a valuation analysis, we have not commented on the achievability and reasonableness of the assumptions provided to us save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of the assignment. We have assessed and evaluated the reasonableness of the projections based on procedures such as analyzing industry data, historical performance, expectations of comparable companies, analyst reports etc

Market Approach: Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

- **Market Price Method:** Under this method, the value of shares of a company is determined by taking the average of the market capitalisation of the equity shares of such company as quoted on a recognised stock exchange over reasonable periods of time where such quotations are arising from the shares being regularly and freely traded in an active market, subject to the element of speculative support that may be inbuilt in the market price. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share, especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger/ demerger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard. This method would also cover any other transactions in the shares of the company including primary/ preferential issues/ open offer in the shares of the company available in the public domain.
- **Comparable Companies Multiples (CCM) Method:** Under this method, one attempts to measure the value of the shares/ business of company by applying the derived market multiple based on market quotations of comparable public/ listed companies, in an active market, possessing attributes similar to the business of such company - to the relevant



financial parameter of the company/ business (based on past and/ or projected working results) after making adjustments to the derived multiples on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued. These valuations are based on the principle that such market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

The valuation approaches/ methods used, and the values arrived at using such approaches/ methods have been tabled in the next section of this report.

BASIS OF EQUITY SHARE EXCHANGE RATIO

The basis of the Proposed Transaction would have to be determined after taking into consideration all the factors, approaches and methods considered appropriate by the Valuer. Though different values have been arrived at under each of the above approaches/ methods, for the purposes of recommending the Equity Share Exchange Ratio it is necessary to arrive at a single value for the shares of the companies involved in an amalgamation such as the proposed Transaction. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of the Businesses but at their relative values to facilitate the determination of an Equity Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approach/ method.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the valuer and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. The determination of 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. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the Equity 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 as to the Equity Share Exchange Ratio of the equity shares of JSW Steel, JSW Ispat and Ceixent. The final responsibility for the determination of the exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.

The Equity Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of JSW Steel, JSW Ispat and Ceixent based on the various applicable approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of these companies, having regard to information base, key underlying assumptions and limitations.



We have applied relevant methods discussed above, as considered appropriate, and arrived at the assessment of the relative values per equity share of JSW Steel, JSW Ispat and Ceixent. To arrive at the Equity Share Exchange Ratio for the Proposed Transaction, suitable minor adjustments/ rounding off have been done in the relative values arrived at by us.

VALUER NOTES

For the present valuation analysis, we have considered it appropriate to apply the Income Approach and Market Approach for JSW Steel and JSW Ispat and Cost approach for Creixent to arrive at the relative fair value of the equity shares for the purpose of the Proposed Transaction.

Given the nature of the businesses of the Companies and the fact that JSW Steel and JSW Ispat has provided their projected financials, we have considered it appropriate to apply the DCF Method under the Income Approach to arrive at the relative fair value of the shares of the Companies for the purpose of arriving at the Equity Share Exchange Ratio.

In the present case, the shares of JSW Steel and JSW Ispat are listed on BSE and NSE and there are regular transactions in their equity shares with reasonable volume. In the circumstances, the share price of JSW Steel and JSW Ispat has been considered as suggested in regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. Accordingly, higher of the below two methods has been taken for determining the value of JSW Steel and JSW Ispat under the market price methodology:

- the volume weighted average price for 90 trading days preceding the Valuation report date,
- the volume weighted average price for 10 trading days preceding the Valuation report date,

In the current analysis, the merger of the Companies is proceeded with on the assumption that they would merge as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book and non-operating/ surplus assets, if any at their fair values under the Asset Approach. In such a going concern scenario, the relative earning power, as reflected under the Income/ Market approach, is of greater importance to the basis of amalgamation/ demerger, with the values arrived at on the net asset basis being of limited relevance. Hence, while we have calculated the values of the shares of the Businesses under the Asset Approach, we have considered it appropriate not to give any weightage to the same in case of JSW Steel and JSW Ispat. However, we have used NAV approach to value Creixent (primarily a holding company) considering its current operations and the future business outlook as provided by the Management.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Equity Share Exchange Ratio for the Proposed Transaction whose computation is as under:





The computation of Equity Share Exchange Ratio 1 as derived by KPMG, is given below:

Valuation Approach	JSW Steel		JSW Ispat	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Income Approach	788.8	50%	32.4	50%
Market Approach	672.5	50%	36.2	50%
Asset Approach	263.7	0%	13.8	0%
Relative Value per Share	730.6	100%	34.3	100%
Exchange Ratio (Rounded off)	21			

The computation of Equity Share Exchange Ratio 2 as derived by KPMG, is given below:

Valuation Approach	JSW Steel		Creixent	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Income Approach	788.8	50%	NA	0%
Market Approach	672.5	50%	NA	0%
Asset Approach	263.7	0%	1,120.0	100%
Relative Value per Share	730.6	100%	1,120.0	100%
Exchange Ratio (Rounded off)	1.5			

RATIO

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Equity Share Exchange Ratio for proposed merger of JSW Ispat and Creixent into JSW Steel:

Equity Share Exchange Ratio 1:

One (1 Only) equity share of JSW Steel Limited of INR 1/- each fully paid up for every Twenty-One (21 Only) equity shares of JSW Ispat Special Products Limited of INR 10/- each fully paid up.

One (1 Only) equity share of JSW Steel Limited of INR 1/- each fully paid up for every Twenty-One (21 Only) CCPS of JSW Ispat Special Products Limited of INR 10/- each fully paid up.

Equity Share Exchange Ratio 2:

Three (3 Only) equity share of JSW Steel Limited of INR 1/- each fully paid up for every Two (2 Only) equity shares of Creixent Special Steels Limited of INR 10/- each fully paid up.





Our Valuation report and Equity Share Exchange Ratio is based on the equity share capital structure of the JSW Steel, JSW Ispat and Creixent as mentioned earlier in this report. Any variation in the equity capital of the Companies may have material impact on the Equity Share Exchange Ratio.

Respectfully submitted,

For KPMG Valuation Services LLP

Registered Valuer Entity under Companies (Registered Valuers and Valuation) Rules, 2017

IBBI Registration No. IBBI/RV-E//06/2020/115

Asset class: Securities or Financial Assets

Amit Jain, Partner

IBBI Registration No. IBBI/RV /06/2018/10501

Date: 27 May 2022

