

JSW Ispat Special Products Limited

Certified True Copy

(formerly known as Monnet Ispat & Energy Limited)

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

CIN: L02710MH1990PLC363582 GST: 27AAACM0501D2Z9

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

REPORT OF THE AUDIT COMMITTEE OF JSW ISPAT SPECIAL PRODUCTS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN JSW ISPAT SPECIAL PRODUCTS LIMITED ('TRANSFEROR COMPANY' / 'COMPANY') AND MIVAAN STEELS LIMITED ('TRANSFeree COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Present Members:

1. Mrs. Anuradha Bajpai, Chairperson and Independent Director
2. Mr. Jyotin Mehta, Independent Director
3. Mr. Krishna Deshika, Independent Director

In Attendance:

Mr. Ajay Kadhao, Company Secretary

Invitee:

Mr. J. Nagarajan, Chief Financial Officer

Mr. Kiran Menon, AVP-F&A

Mr. Neeraj Garg, representative of M/s. PwC Business Consulting Services LLP

Mr. Dilip Barla, representative of M/s. PwC Business Consulting Services LLP

Mr. Chetan Mukhija, representative of D&A Financial Services Private Limited

Mr. Mehul Parekh, representative of Statutory Auditors, M/S Deloitte Haskins & Sells LLP

1. Background:

- a. The draft Scheme of Arrangement under Sections 230-232 and other relevant provisions, if any, of the Companies Act, 2013 ('the Act') between JSW Ispat Special Products Limited and Mivaan Steels Limited and their respective shareholders and creditors ('Scheme') has been placed before the Audit Committee at its meeting held on February 16, 2022 for the Audit Committee to consider recommending the said Scheme.
- b. The Scheme provides for the transfer and vesting of the the business undertaking of the Company pertaining to manufacturing facilities at Raipur and mining facilities at Kanker and associated coal washery operations at Patherdih along with associated assets and liabilities (as more specifically defined in the draft Scheme) ("Specified Undertaking"), on a going concern basis, by way of a slump sale to Mivaan Steels Limited (upon it becoming a wholly owned subsidiary of the Company) for a consideration as provided in and subject to the terms of the Scheme ("Proposed Transaction").
- c. The equity shares of the Company are listed and traded on the BSE Limited ('BSE') and the National Stock Exchange of India Limited ("NSE").



For JSW Ispat Special Products Limited
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Raipur Works: Chandkhuri Marg, Village Kurla, Bandra (East), Mumbai-400051, Raipur-492101 (Chhattisgarh)
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Ajay Kadhao
Company Secretary



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- d. The report of Audit Committee for the Proposed Transaction is required to comply with the provisions of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended (“SEBI Circular”). The Audit Committee has considered the following in this respect:
- i) draft Scheme, which is duly initialed by Company Secretary of the Company for the purpose of identification;
 - ii) valuation report dated February 16, 2022 issued by M/s. PwC Business Consulting Services LLP, an independent and registered valuer (**‘Valuation Report’**);
 - iii) fairness opinion dated February 16, 2022 issued by D&A Financial Services Private Limited, an independent and SEBI registered Category I merchant banker, on the Valuation Report (**‘Fairness Opinion’**);
 - iv) draft certificate from the statutory auditor of the Company, Deloitte Haskins & Sells LLP, Chartered Accountants, confirming the accounting treatment as prescribed in the draft Scheme and
 - v) audited financial statements of the Company for the year ended March 31, 2019, March 31, 2020 and March 31, 2021.

2. Proposed Scheme

- a. The Audit Committee has reviewed the draft Scheme. As per and subject to the terms contained in the draft Scheme, all assets and liabilities pertaining to the Specified Undertaking of the Company (*as more detailed in the Scheme*), shall, without any further act, instrument or deed, be transferred and vested to Mivaan Steels Limited (upon it becoming a wholly owned subsidiary of the Company), on a going concern basis, by way of a slump sale with effect from the Appointed Date, for a consideration.
- b. The Audit Committee has reviewed the Valuation Report and noted the recommendation made therein. Further, the Fairness Opinion has confirmed that the Valuation Report is fair.
- c. Further, Deloitte Haskins & Sells LLP, statutory auditors of the Company have confirmed that the accounting treatment, as specified in the Scheme, is in accordance with the generally accepted accounting principles in India.
- d. The proposed Appointed Date for the Scheme is close of business hours on March 31, 2022.



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3. Need and Rationale for the arrangement

The Audit Committee noted and agreed with the need and rationale for the transfer of the Specified Undertaking from the Company into the Transferee Company, as provided in the draft Scheme and which is detailed below:

- (a) The Specified Undertaking comprises of the business undertaking of the Company pertaining to the manufacturing facilities at Raipur and mining facilities at Kanker and associated coal washery operations at Patherdih and certain other assets and properties (*as more detailed in the Scheme*). The manufacturing facilities at Raipur comprises of a sponge iron manufacturing plant with a capacity of 0.3 MTPA, ferro alloy plant and steel manufacturing plant with a capacity of 0.25 MTPA.
- (b) The strategic focus of the Specified Undertaking (which is to be transferred to the Transferee Company pursuant to this Scheme) is on commodity steel products that caters to the structural and construction sectors with comparatively lower volume of production and serving customers predominantly around its operating area. Whereas, the Transferor Company's strategic focus for its Remaining Undertaking is on special steel products catering to HT grades, IBR grades, RDSO grades, automotive, high manganese grades, cold rolling grades and API grades with comparatively higher volume of production, serving customers in the exports and domestic markets covering Northern, Eastern and parts of Western region of India.
- (c) The transfer of the Specified Undertaking to the Transferee Company will enhance the ability of the Transferor Company and Transferee Company to explore and leverage strategic opportunities for their respective business/ undertakings, including fund raising prospects, with the aim of maximizing value.
- (d) With a view to achieve dedicated management focus on certain grades of products and customers, facilitate strategic opportunities and to maximize the value of each of the Remaining Undertaking and the Specified Undertaking, the management of the Transferor Company proposes to transfer the Specified Undertaking, and vest such Specified Undertaking into the Transferee Company (in its capacity as a wholly owned subsidiary of Transferor Company).

This is expected to create and enhance stakeholders' value by unlocking the intrinsic value and growth potential for the respective businesses of the Transferor Company and Transferee Company.

4. Synergies of business of the entities involved in the Scheme

As detailed above regarding the need and rationale for the draft Scheme, the Specified Undertaking caters to the commodity grade market. The business strategies of the Transferor Company are however focused on special steel products.



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Accordingly, the Proposed Transaction is being undertaken with a view to achieve dedicated management focus on their respective grades of products and customer segments, facilitate strategic opportunities and maximize value, increase efficiencies and enhance administrative control.

5. Impact of the Scheme on the shareholders

The Proposed Transaction contemplates a transfer of the Specified Undertaking, on a going concern, by way of a slump sale to the Transferee Company (upon it becoming a wholly owned subsidiary of the Company) subject to the terms of the Scheme. No change in the shareholding of the Company is envisaged on account of the Scheme. As the Transferee Company will be a wholly owned subsidiary of the Company, thus effectively there is no impact on the overall value to the shareholders of the Company.

Accordingly, the Scheme will not adversely affect the rights or interests of the shareholders of the Company including the minority shareholders of the Company.

6. Cost benefit analysis of the Scheme

The transfer of the Specified Undertaking from the Company and vesting of such Specified Undertaking into the Transferee Company is expected to result in benefits for the Company and the Transferee Company, as stated above, including: (a) enabling the Company and Transferee Company to focus on their core business strategies and plans with dedicated management focus on their respective grades of products and customer segments; (b) facilitation of strategic opportunities for the Company and the Transferee Company; (c) creating and enhancing stakeholders' value by unlocking the intrinsic value and growth potential for the respective businesses of the Company and Transferee Company; (d) enhancing ability of each of the Company and the Transferee Company to raise necessary funds and resources for their respective businesses independently; (e) imparting better management focus, facilitating administrative convenience and ensuring optimum utilization of various resources of the Company and Transferee Company; (f) increasing efficiencies in management, control and administration of the affairs of the Company and Transferee Company; and (g) achieving an optimum capital structure with commensurate assets which is likely to enhance the business prospects of the Company as well as the Transferee Company.

There is no social or environmental impact arising due to the draft Scheme considering the Specified Undertaking will be transferred to a wholly owned subsidiary of the Company. Stamp duty payable in respect of this Scheme and other costs, charges and expenses in connection with the Scheme shall be borne by the Transferee Company.

Accordingly, keeping in view the synergies and benefits expected from the Scheme, the Audit Committee is of the view that the cost incurred towards the implementation of the



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Scheme foreshadows the long-run benefit that can be derived by achieving strategic and operational synergies envisaged under the Scheme.

7. Recommendations of the Audit Committee

The Audit Committee, after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion and other points mentioned above, recommends the draft Scheme for approval and favorable consideration by the Board of Directors of the Company.

By Order of the Audit Committee

**For and on behalf of
JSW Ispat Special Products Limited
(Formerly known as Monnet Ispat and Energy Ltd.)**

Anuradha Bajpai

**Mrs. Anuradha Bajpai
Chairperson of the Audit Committee**

Date: 16.02.2022

Place: Mumbai



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**For JSW Ispat Special Products Limited
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Ajay Kadhwa
**Ajay Kadhwa
Company Secretary**



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