B S R and Associates
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27 December 2014

The Reorganisation Committee
Jindal Stainless Limited
Jindal Center
12, Bhikaji Cama Place,
New Delhi - 110066, India

Sub: Report on share entitlement ratio for the proposed demerger of Ferro Alloy Division & Mining Division of Jindal Stainless Limited (the "Report")

Dear Sirs,

We refer to the engagement letter dated 12 June 2014 and addendum dated 22 December 2014, wherein the Reorganisation Committee of Jindal Stainless Limited ("JSL") (the "Committee" or the "Management") has engaged B S R and Associates ("B S R" or "We") to report on reasonableness of share entitlement ratio for the proposed demerger of Ferro Alloy manufacturing Division at Vishakhapatnam , Andhra Pradesh ("Demerged Undertaking 1") and Mining Division in Odisha ("Demerged Undertaking 2") (collectively referred to as 'Demerged Undertakings') of JSL into Jindal Stainless (Hisar) Limited ("JSHL") as part of proposed composite scheme of arrangement for business reorganization of JSL (the "Transaction") with effect from Appointed date of 31 March 2014 (close of business hours before midnight) (the "Engagement"). JSL and JSHL are collectively referred to as "Companies".

Share entitlement ratio is the number of shares of JSHL (Resulting Company) that a shareholder of JSL (Transferor Company) would be entitled to in proportion to the existing shareholding in JSL. The definition of Demerged Undertaking 1 and Demerged Undertaking 2 as per the draft scheme provided to us is placed in Annexure 1.

SCOPE AND PURPOSE OF ENGAGEMENT

This Transaction is proposed under a composite scheme of arrangement under Section 391 – 394 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013, as may be applicable (the "Scheme"). As per the Scheme, JSHL will issue its shares to the shareholders of JSL as a consideration for the demerger.

This Report is subject to the scope limitations, exclusions 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.

This Report is subject to the laws of India.

BACKGROUND

JSL operates one of the India's largest integrated stainless steel manufacturing facilities with integrated melting, hot rolling and cold rolling plant. JSL manufactures and sells a broad range of stainless steel flat products including slabs, blooms, flat bars, hot rolled and cold rolled coils, plates and sheets and special products including, precision strips and coin blanks. JSL's plants are situated in Haryana, Andhra Pradesh and Odisha. For the half year ended 30 September 2014, on a standalone basis, JSL reported revenues of INR 65.4 Billion and net loss after tax of INR 3.7 Billion.

The equity shares of JSL are listed on BSE Limited and National Stock Exchange of India. The Global Depository shares are listed on the Luxemburg Stock Exchange.

The paid up equity share capital of JSL as at 30 September 2014 consisted 215,375,005 equity shares of face value of INR 2 each, 15,810,440 Cumulative Compulsory Convertible Preference Shares ('CCCPS') of face value of INR 2 each and 8,802,167 global depository shares.

The holder of the CCCPS have an option to be allotted one equity share of face value of INR 2 of the Company per CCCPS at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment. The unconverted CCCPS are compulsorily convertible into equity shares at the end of 18 months from the date of allotment. On 19 December 2014, the Company allotted 11,000,000 equity shares of INR 2 on conversion of 11,000,000 CCCPS of INR 2.

Shareholding Pattern	*As on 30 September 2014*		*As on 26 December 2014*	
Particulars	No. of Shares	%	No. of Shares	%
Shares held directly	98,767,250	45.9%	109,760,550	48.5%
Shares held as Depository Receipts	16,734,984	7.8%	16,734,984	7.4%
Promoters & Promoters Group (A)	**115,502,234**	**53.6%**	**126,495,534**	**55.9%**
Foreign Institutional Investors	43,313,346	20.1%	31,374,196	13.9%
Domestic Institutions	17,251,215	8.0%	17,265,669	7.6%
Non-Institutions	38,438,860	17.8%	50,370,256	22.3%
Shares held as Depository Receipts	869,350	0.4%	869,350	0.4%
Public Shareholdings (B)	**99,872,771**	**46.4%**	**99,879,471**	**44.1%**
Total	**215,375,005**	**100.0%**	**226,375,005**	**100.0%**

Source: www.bseindia.com & Management

Note:

1. *As of Report date, the shares mentioned against the 'Shares held as Depository Receipts' under sub-head (A) and sub-head (B) are yet to be converted into equity shares*
2. *As of Report date, 4,810,440 CCCPS are outstanding.*

JSHL was incorporated in July 2013 and is a wholly owned subsidiary of JSL. The company currently does not have any business operations, but proposes to engage in the business of manufacturing, processing, refining, smelting, importing, exporting, marketing and distribution of all kinds and forms of iron and steel including tools and alloy steels, stainless and all other special steels. The paid up equity share capital of JSHL as at 30 September 2014 consisted 10,000 equity shares of INR 10 each. On 3

December 2014, the Company increased its equity share capital to 250,000 equity shares of face value of INR 2 each.

As per the draft scheme and discussions with Management of JSL (the "Management"), we understand that upon demerger, transfer and vesting of Demerged Undertakings into JSHL, shares of JSHL will be issued to shareholders of JSL such that JSHL and JSL will have mirror shareholding upon such issue of shares.

SOURCES OF INFORMATION

For the purposes of this exercise, we have,

- Considered the unaudited carved out financials of Demerged Undertakings as at 30 September 2014, prepared in compliance with section 2(19AA) of the Income Tax Act;
- Considered the draft Scheme of Arrangement
- Considered the existing shareholding pattern of JSL and the envisaged shareholding of JSHL.
- Held interviews and relied on representations of Management
- Carried out such other analysis, reviews and inquires as we considered necessary.

SCOPE LIMITATIONS, EXCLUSIONS AND DISCLAIMERS

We have relied upon the information, data and explanations given to us by the Management of JSL for the purposes of concluding on the reasonableness of Share Entitlement Ratio in connection with proposed demerger. We have not carried out a due diligence or audit of Demerged Undertakings or JSL nor have we independently investigated or otherwise verified the data provided. We do not express any form of assurance that the financial information or other information as provided by the Management is accurate.

Our conclusion assumes that Demerged Undertakings, JSL and JSHL comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that Demerged Undertakings are being managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this 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 unaudited carved out balance sheet of Demerged Undertakings. Our conclusion on reasonableness of share entitlement ratio assumes that the assets and liabilities of Demerged Undertakings remain intact as of the date of forming such opinion on Share Entitlement Ratio.

This Share Entitlement Ratio is essentially based on the information provided by the Management for which JSL accepts full responsibility. Our review and analysis have been limited to the above mentioned procedures and our analysis is subject to this limitation. Our reliance and use of this information provided by JSL or the Management should not be construed as expression of our opinion on it and we do not and will not accept any responsibility or liability for any inaccuracy in it.

The exercise of valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single share entitlement ratio. While we have concluded on the reasonableness of the Share Entitlement 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 same.

The decision to proceed on the demerger as well as acceptance of the final Share Entitlement Ratio depends on the Reorganisation Committee of the JSL, which will be responsible for decisions associated with determination of the Share Entitlement Ratio and the factors other than our work will need to be taken into account in determining the same; these will include your own assessment and may include the input of other professional advisors.

We owe responsibility and are liable to only the Committee which has retained us and JSL, under the terms of our engagement letter and nobody else.

We will not be liable for any loss, claims, damages or liabilities arising in any way from fraudulent acts, misrepresentations, default on the part of JSL, their directors, employees or agents.

SHARE ENTITLEMENT RATIO

As of the Report date the issued subscribed and paid up capital of JSL consists of 226,375,005 fully paid up equity shares of INR 2/-each and 4,810,440 fully paid up 0.1% CCCPS shares of INR 2/-each.

We understand from the Management of JSL that JSHL is a wholly owned subsidiary of JSL and it proposes to engage in the business of manufacturing, processing, refining, smelting, importing, exporting, marketing and distribution of all kinds and forms of iron and steel including tools and alloy steels, stainless and all other special steels (currently, the company has no operating / business activities). As of the Report date the issued, subscribed and paid up capital of JSHL consists of 250,000 fully paid up equity shares of INR 2/- each.

As per the draft scheme provided to us and information provided by the Management of JSL, we understand that the 250,000 (Two Lakh Fifty Thousand) equity shares of the Resulting Company of INR 2/- (Rupees Two) each held by the Transferor Company comprising 100% (One Hundred per cent) of the total issued and paid-up equity share capital of the Resulting Company as on the Effective Date of scheme shall stand cancelled, without any further act or deed on part of the Resulting Company and the same shall be adjusted against the Capital Reserves Account of the Resulting Company. *(Also refer to Share Cancellation Clauses as per the Draft Scheme provided to us in Annexure 2)*

We understand that in consideration of the demerger of Demerged Undertakings, the Management proposes to issue:

For Equity Shareholders of JSL

1 (One) fully paid up equity share having face value of INR 2 (Two) each of JSHL for every 1 (One) fully paid up equity shares of INR 2 (Two) each held in JSL.

For Cumulative Compulsory Convertible Preference Shares (CCCPS) shareholders of JSL

1 (One) fully paid up 0.1% CCCPS of INR 2 (Two) each of JSHL for every 1 (One) fully paid up 0.1% CCCPS of INR 2 (Two) each held in JSL.

Based on the aforementioned and that upon demerger, the set of shareholders and holding proportion being proposed for JSHL is identical to that of JSL, the beneficial economic interest of JSL shareholders in JSHL will remain same at the time of demerger.

We believe that the above share entitlement ratio is fair and reasonable considering that all the shareholders of JSL are and will, upon demerger, be the ultimate beneficial owners of the Resulting Company and in the same ratio (inter se) as they hold shares in JSL, as on the record date to be decided by Management of JSL.

Our Report and share entitlement ratio is based on the current equity share capital structure of the Companies and proposed cancellation of existing share capital of JSHL. Any variation in the equity capital structures of the Companies apart from the above mentioned prior to the Composite Scheme of Arrangement becomes effective may have an impact on the share entitlement ratio.

Respectfully submitted,

For B S R and Associates
Chartered Accountants
ICAI Firm Registration No. 128901W

Mahek Vikamsey
ICAI Membership No. 108235
Place: Mumbai
Date: 27 December 2014

Annexure 1

"Demerged Undertaking 1" means the business undertaking comprising of the FA Division of the Transferor Company, comprising of the broad components set out in *Part A of Schedule 1* of the Scheme hereto, on a going concern basis, inclusive of but not limited to:

(i) all assets, whether moveable or immoveable, whether leasehold or freehold, (including the right to use the land on which the FA Division is located but excluding the ownership or leasehold rights in such land) including all rights, title, interest, claims, covenants, undertakings of the Transferor Company pertaining to the FA Division;

(ii) all investments, receivables, loans and advances, including accrued interest thereon, all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or other entitlements of the Transferor Company pertaining to the FA Division;

(iii) all debts, borrowings and liabilities, whether present or future, whether secured or unsecured of the Transferor Company pertaining to the FA Division;

(iv) all permits, rights, entitlements, licenses (including licenses issued by the DGFT under EPCG Scheme, Advance Authorization Scheme, Focused Products Scheme, Focused Marketing Scheme, Duty Drawback Scheme and other schemes or approvals of a like nature issued by the DGFT), approvals, grants, allotments, recommendations, clearances, tenancies, offices, taxes, tax credits (including, but not limited to, credits in respect of income tax (including carry forward tax losses comprising of unabsorbed depreciation), tax deducted at source, sales tax, value added tax, turnover tax, excise duty, service tax, minimum alternate tax credit), privileges and benefits of all contracts, agreements, tenders, bids, experience and/or performance statements and all other rights including lease rights, licenses, powers and facilities of every kind and description whatsoever of the Transferor Company pertaining to the FA Division;

(v) all copyrights, trademarks, service marks, brand names, logos, patents and other intellectual property rights of whatsoever nature and the goodwill arising therefrom of the Transferor Company relatable to the FA Division, including without limitation, all rights to the brand names and logos "Jindal", "Jindal Stainless" and "J" and all rights of the Transferor Company in any and all classes of the trademarks and logos, "JSL", "JSL color", "JINDAL Stainless", "J JINDAL" and "J JINDAL Stainless" whether registered, unregistered or pending registration;

(vi) all employees of the Transferor Company employed in relation to the FA Division;

(vii) all legal, tax, regulatory, quasi judicial, administrative proceedings, suits, appeal, applications or other proceedings of whatsoever nature initiated by or against the Transferor Company in connection with the FA Division; and

(viii) all books, record files, papers, computer programs, engineering and process information, manuals, data, production methodologies, production plans, designs, catalogues, quotations, websites, cloud storage, sales and advertising material, marketing strategies, list of present and former customers, customer credit information, customer pricing information, and other records whether in physical form or electronic form or in any other form in connection with or relating to the Transferor Company pertaining to the FA Division.

"FA Division" means the division of the Transferor Company comprising of the ferro alloy manufacturing facility of the Transferor Company located at Jindal Nagar, Kothavalasa 535 183, District Vizianagaram, Andhra Pradesh, India, together with associated liabilities thereto.

"Demerged Undertaking 2" means the business undertaking comprising of the Mining Division of the Transferor Company, comprising of the broad components set out in *Part B of Schedule 1* of Scheme hereto, on a going concern basis, inclusive of but not limited to:

(i) all assets, whether moveable or immoveable, whether leasehold or freehold, including all rights, title, interest, claims, covenants, undertakings of the Transferor Company pertaining to the Mining Division;

(ii) all investments, receivables, loans and advances, including accrued interest thereon, all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or other entitlements of the Transferor Company pertaining to the Mining Division;

(iii) all debts, borrowings and liabilities, whether present or future, whether secured or unsecured of the Transferor Company pertaining to the Mining Division;

(iv) all permits, rights, entitlements, licenses (including licenses issued by the DGFT under EPCG Scheme, Advance Authorization Scheme, Focused Products Scheme, Focused Marketing Scheme, Duty Drawback Scheme and other schemes or approvals of a like nature issued by the DGFT), approvals, grants, allotments, recommendations, clearances, tenancies, offices, taxes, tax credits (including, but not limited to, credits in respect of income tax (including carry forward tax losses comprising of unabsorbed depreciation), tax deducted at source, sales tax, value added tax, turnover tax, excise duty, service tax, minimum alternate tax credit), privileges and benefits of all contracts, agreements and all other rights including lease rights, licenses, powers and facilities of every kind and description whatsoever of the Transferor Company pertaining to the Mining Division;

(v) all copyrights, trademarks, service marks, brand names, logos, patents and other intellectual property rights of whatsoever nature and the goodwill arising therefrom of the Transferor Company pertaining to the Mining Division, whether registered, unregistered or pending registration;

(vi) all employees of the Transferor Company employed in relation to the Mining Division;

(vii) all legal, tax, regulatory, quasi judicial, administrative proceedings, suits, appeal, applications or other proceedings of whatsoever nature initiated by or against the Transferor Company in connection with the Mining Division,; and

(viii) all books, record files, papers, computer programs, engineering and process information, manuals, data, production methodologies, production plans, designs catalogues, quotations, websites, cloud storage, sales and advertising material, marketing strategies, list of present and former customers, customer credit information, customer pricing information, and other records whether in physical form or electronic form or in any other form in connection with or relating to the Transferor Company pertaining to the Mining Division.

"Mining Division" means the Chromite Mines in respect of which the Transferor Company has leasehold rights together with the associated liabilities thereto.

Annexure 2

Share Cancellation Clauses

We also understand from the Draft Scheme provided to us that : Upon Section I *(Demerger Of The Demerged Undertakings And Vesting Of The Same In The Resulting Company)* of the Scheme coming into effect on the Effective Date 1 and immediately after issuance of the equity shares of the Resulting Company and the Resulting Company CCCPS to the equity shareholders and holders of CCCPS of the Transferor Company, respectively, the 2,50,000 (Two Lakh Fifty Thousand) equity shares of the Resulting Company having face value of Rs. 2 (Rupees Two) each held by the Transferor Company comprising 100% (One Hundred per cent) of the total issued and paid-up equity share capital of the Resulting Company as on the Effective Date 1 shall stand cancelled without any further act or deed on the part of the Resulting Company. The reduction in the share capital of the Resulting Company shall be effected as an integral part of the Scheme in accordance with the provisions of Sections 100 to 103 of the 1956 Act (or Section 66 of the 2013 Act, if applicable) and/ or any other applicable provisions of the Act without any further act or deed on the part of the Resulting Company and without any approval or acknowledgement of any third party. The order of the Court sanctioning the Scheme shall be deemed to also be the order passed by the Court under Section 102 of the 1956 Act (or Section 66 of the 2013 Act, if applicable) for the purpose of confirming such reduction. The aforesaid reduction would not involve either a diminution of liability in respect of the unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the 1956 Act (and Section 66(1)(a) of the 2013 Act, if in force) shall not be applicable. Notwithstanding the reduction in the equity share capital of the Resulting Company, the Resulting Company shall not be required to add "And Reduced" as suffix to its name.

Immediately after the issuance of shares by the Resulting Company to the shareholders of the Transferor Company, the 2,50,000 (Two Lakh Fifty Thousand) equity shares of the Resulting Company having face value of Rs.2 (Rupees Two) each held by the Transferor Company comprising 100% (One Hundred per cent) of the total issued and paid-up equity share capital of the Resulting Company as on the Effective Date 1 shall stand cancelled, without any further act or deed on part of the Resulting Company and the same shall be adjusted against the Capital Reserves Account of the Resulting Company.

Immediately after the issuance of the shares by the Resulting Company to the shareholders of the Transferor Company, the existing issued and paid up share capital of the Resulting Company comprising of 2,50,000 (Two Lakhs Fifty Thousand) equity shares having face value of Rs. 2 (Rupees Two) each, held by the Transferor Company comprising 100 % (One Hundred per cent) of the total issued and paid-up equity share capital of the Resulting Company as on the Effective Date 1, shall stand cancelled without any further act or deed on part of the Resulting Company. This amount will be debited to the Statement of Profit and Loss Account of the Transferor Company.

We understand that the resultant shareholding post demerger will not impact or dilute the beneficial/economic interest of the shareholders of JSL in JSHL and will be in the same ratio inter se as it is in the share capital of JSL

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27 December 2014

The Reorganisation Committee
Jindal Stainless Limited
Jindal Center,
12, Bhikaji Cama Place,
New Delhi - 110066, India

Sub: Report on Valuation of Business Undertaking – I, Business Undertaking – II and Business Undertaking – III of Jindal Stainless Limited in relation to proposed slump sale

Dear Sirs,

We refer to the engagement letter dated 12 June 2014 and addendum dated 22 December 2014, whereby the Reorganization Committee of JSL ("Committee" or the "Management") has engaged B S R and Associates ("B S R", the "Valuer" or "We") to carry out valuation of Business Undertaking – I, Business Undertaking – II and Business Undertaking – III (together referred to as the "Undertakings") as a going concern in relation to the proposed spinoff of the Undertakings by way of slump sale as part of the composite scheme of arrangement for JSL's business reorganization (the "Transaction").

SCOPE AND PURPOSE OF VALUATION

The Undertakings are business segments of JSL as of 30 September 2014. As per information shared with us by the Management,

- Business Undertaking – I comprise all manufacturing facilities of JSL located at Hisar, Haryana including stainless steel manufacturing facility, the special steel facility and coin blank facility and identified investments ("Domestic investments").
- Business Undertaking – II comprise hot strip mill, plate finishing, bell annealing and other allied facilities of JSL located at Odisha, which is proposed to be converted into a Carbon Steel manufacturing Plant ("Carbon Steel").
- Business Undertaking – III comprise coke oven plant and other allied facilities of the Coke Plant of JSL located at Odisha ("Coke Oven").

The Transaction is proposed under a composite scheme of arrangement under Section 391 – 394 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013, as may be applicable (the "Scheme"). The definition of the Undertakings as provided in the Scheme is reproduced in Annexure I of this report.

We have been requested by the Reorganization Committee to carry out valuation of the Undertakings for the purpose of the Transaction. This Valuation Report ("Report") sets out the findings of our exercise and is our deliverable to the above engagement.

We have carried out a fair valuation of the Undertakings as at 30 September 2014 ("Valuation Date") for the purpose of the Transaction.

This Report is subject to the scope, assumptions, 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.

SOURCES OF INFORMATION

In connection with the valuation exercise, we have received the following information from the Management:

- Unaudited carved out financials of the Undertakings for the twelve month period ended 31 March 2014 and for the six months period ended 30 September 2014, to the extent available with the Management.
- Business Plan of Business Undertaking - I for the period 1 October 2014 to 31 March 2019
- Business Plan of Business Undertaking - II for the period 1 October 2014 to 31 March 2024
- Business Plan of Business Undertaking - III for the period 1 October 2014 to 31 March 2020
- Draft Scheme of Arrangement
- Interviews and discussions with Management of JSL (the "Management") to augment our knowledge of the operations of the Undertakings
- Other Information which we required and were provided for the purposes of this engagement.

We have also obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of JSL. The Committee has been provided with the opportunity to review the draft Report (excluding the recommended fair value) to review the factual accuracy and confirm the same with Management of JSL.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinion and consideration of the issues described herein are areas of our regular practice. The service does 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 contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) is based on the carved out balance sheets of the respective Undertakings as at 30 September 2014. The Management has represented that the business activities of the Undertakings have been carried out in the normal and ordinary course post valuation date and no material change has occurred in operations and financial position between valuation date and the date of this Report. A valuation of this nature is necessarily based on prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date of this Report 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 valuation contained in this Report represents our estimation based upon information received from the Management. Further, the estimation of the fair value 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. While we have provided our estimation of the fair value 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 fair value of the Undertakings.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of information made available to us by the Management, as detailed under "Sources of Information" section and (ii) the accuracy of the information that was publicly available and formed a basis for this Report. We have not carried out a due diligence or audit of the Undertakings 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 Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Management is accurate. Also, with respect to explanations and information sought from the Management, 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 valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the Report. Also, we assume no responsibility for technical information (if any) furnished by the Management.

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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 Undertakings comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Undertakings are being managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this 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 unaudited carved out balance sheet of the Undertakings. Our conclusion of value assumes that the assets and liabilities (including working capital items which are proposed to be transferred as part of the Scheme) of the Undertakings, reflected in its latest balance sheet remain intact as of the Valuation Date.

This Report does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the Business Undertaking's claim to title of assets has been made for the purpose of this Report and the Business Undertaking'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. Therefore, no responsibility is assumed for matters of a legal nature.

The realization of free cash flow forecast used in the 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 forecast relate to 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.

The fee for this engagement is not contingent upon the results reported.

We owe responsibility to only the Committee which has retained us and JSL, under the terms of our engagement letter and nobody else.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken or omitted to be taken by anyone other than the Committee and JSL.

We do not accept any liability to any third party in relation to the issue of this Report. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose. It is understood that this analysis does not represent a fairness opinion.

Neither, the Report nor its contents may be referred to or quoted in any agreement or document given to third parties, other than in connection with the proposed Transaction, without our prior written consent. In addition, we express no opinion or recommendation as to how the shareholders of the Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

This Report is subject to the laws of India.

NEW DELHI

B S R and Associates Chartered Accountants

BACKGROUND OF THE COMPANY / UNDERTAKINGS

JSL operates one of the India's largest integrated stainless steel manufacturing facilities with integrated melting, hot rolling and cold rolling plant. JSL manufactures and sells a broad range of stainless steel flat products including slabs, blooms, flat bars, hot rolled and cold rolled coils, plates and sheets and special products including, precision strips and coin blanks. JSL's plants are situated in Haryana, Andhra Pradesh and Orissa. For the half year ended 30 September 2014, on a standalone basis, JSL reported revenues of INR 65.4 Billon and net loss after tax of INR 3.7 Billion.

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The holder of the CCCPS have an option to be allotted one equity share of face value of INR 2 of the Company per CCCPS at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment. The unconverted CCCPS are compulsorily convertible into equity shares at the end of 18 months from the date of allotment. On 19 December 2014, the Company allotted 11,000,000 equity shares of INR 2 on conversion of 11,000,000 CCCPS of INR 2.

Shareholding Pattern	*As on 30 September 2014*		*As on 26 December 2014*	
Particulars	No. of Shares	%	No. of Shares	%
Shares held directly	98,767,250	45.9%	109,760,550	48.5%
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Foreign Institutional Investors	43,313,346	20.1%	31,374,196	13.9%
Domestic Institutions	17,251,215	8.0%	17,265,669	7.6%
Non-Institutions	38,438,860	17.8%	50,370,256	22.3%
Shares held as Depository Receipts	869,350	0.4%	869,350	0.4%
Public Shareholdings (B)	**99,872,771**	**46.4%**	**99,879,471**	**44.1%**
Total	**215,375,005**	**100.0%**	**226,375,005**	**100.0%**

Source: www.bseindia.com & Management

Note:

1. *As of Report date, the shares mentioned against the 'Shares held as Depository Receipts' under sub-head (A) and sub-head (B) are yet to be converted into equity shares*
2. *As of Report Date, 4,810,440 CCCPS are outstanding.*

Jindal Stainless (Hisar) Limited is a company incorporated under the 1956 Act and has its registered office at Hisar, Haryana. The company is a wholly owned subsidiary of the JSL and proposes to engage in the business of manufacturing, distribution and sale of stainless steel, including, inter alia, specialty steel, coin blanks and precision strips, in India and other countries.

Jindal United Steel Limited is a company incorporated under the 1956 Act and has its registered office at Hisar, Haryana. The company is a wholly owned subsidiary of the JSL and proposes to engage in the business of manufacturing, processing, refining, smelting, importing, exporting, marketing and distribution of all kinds and forms of iron and steel including tools and alloy steels, stainless and all other special steels.

Jindal Coke Limited is a company incorporated under the 1956 Act and has its registered office at Hisar, Haryana. The company is a wholly owned subsidiary of the JSL and proposes to engage in the business of manufacturing, processing, finishing and dealing in all kinds and forms of coke and coke products.

Business Undertaking - I

Hisar undertaking has integrated melting, hot rolling and cold rolling facilities. This Business Undertaking produces stainless steel, in each of the 300 series, 200 series and 400 series grades, for commercial and industrial applications. Further, this undertaking manufactures and sells a broad range of stainless steel flat products including slabs, blooms, flat bars, hot rolled and cold rolled coils, plates and sheets. The undertaking is also involved in manufacturing of specialty steel products such as blade steel, coin blanks for mints, precision strips, and duplex and high nickel grades.

This undertaking is proposed to be transferred as a going concern by way to Slump sale to Jindal Stainless (Hisar) Limited with effect from appointed date of 31 March 2014 (close of business hours before midnight).

Business Undertaking – II

Hot Strip Mill currently supports JSL's Odisha location in stainless steel hot rolling process and the Business Undertaking plans to add blast furnace, sinter plant and allied facilities for carbon steel manufacturing from 2017.

The undertaking is proposed to be transferred as a going concern by way of slump sale to Jindal United Steel Limited with effect from appointed date of 31 March 2015 (close of business hours before midnight).

Business Undertaking – III

Coke Oven Plant is located at Odisha of JSL and supplies processed Coke to SAF furnaces and external customers. The Business Undertaking intends to double the capacity by FY 2017 to cater to JSL's stainless steel plant, carbon steel plant and other external customers.

This undertaking is proposed to be transferred as a going concern by way to Slump sale to Jindal Coke Limited with effect from appointed date of 31 March 2015 (close of business hours before midnight).

APPROACH - BASIS OF VALUATION

Arriving at the fair value of the Undertakings would require estimating the equity value of the Undertakings. There are several commonly used and accepted methods for estimating the value of the equity of a company, which has been considered in the present case, to the extent relevant and applicable, including:

1. Comparable Companies' Multiples method / Guideline Company method
2. Market Price method
3. Discounted Cash Flow method
4. Net Asset Value method

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance 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, the conditions and prospects, financial and otherwise, of the Undertakings/Company, and other factors which generally influence the valuation of Undertakings and its 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 methodology of valuation has been arrived at using usual and conventional methodologies 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.

Comparable Companies' Multiple (CCM) / Guideline Company method

Under this method, value of the company/undertaking is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifest through stock market valuations of listed companies and the transaction valuation. This valuation is based on the principle that 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.
We have not applied this methodology for the purpose of our valuation analysis due to lack of closely standalone comparable companies of similar size/scale/products involved for respective Undertakings in the same line of business.

We have analyzed recent transactions in the steel industry to ascertain their comparability with each of the Undertakings. However we have not used comparable transactions due to lack of availability of complete data relating to premiums/ discounts in such transactions.

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. 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.

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Considering that we are valuing the Undertakings and not the Company itself, market price method is not applicable in the present case.

Discounted Cash Flows (DCF) Method

Discounted Cash Flow Method ("DCF Method") is a form of the income approach that is commonly used to value businesses or equity interests. The DCF Method involves estimating the future cash flows of a business and discounting them to their present value. The discount rate selected is based on consideration of the risks inherent in the investment and market rates of return available from alternative investments of similar type and quality as of the Valuation Date. DCF Method is based on the concepts of "time value of money" which states "cash today is worth more than the same amount of cash in the future".

For the purpose of DCF valuation, the free cash flow forecast is based on business plans for each of the Undertakings as provided by the Management.

We have applied the DCF method for valuing each of the Undertakings on a standalone basis using past trends, longer term forecasts based on past and current financial trends and general economy and industry outlook. The DCF method incorporates all factors relevant to business e.g., tangible and intangible assets current and future competitive position, financial and business risks, etc., where the estimated cash flows of the business used for valuation take cognizance of these factors.

We must emphasize that realizations of free cash flow forecast 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 future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material. While carrying out this engagement, we have relied on limited historical information of the Undertakings made available to us by the Management. We also relied on certain representations provided by the Management. 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 and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

To arrive at the total value of the Undertakings, the value arrived under DCF method is adjusted for the value of borrowings, cash and cash equivalents, surplus assets and contingent liabilities.

Net Asset Value (NAV) Method

The asset based valuation 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. Under the Net Asset Value approach, total value is based on the sum of book values as recorded on the balance sheet of the Undertakings as on the Valuation Date.

We have not used Net Asset Value method for valuing the Undertakings as net worth is generally not representative of the value of the business as indicated by the future operations.

FAIR VALUE

The fair value of the Undertakings has been arrived, based on the methodology applied for its valuation considering various qualitative factors relevant to the Undertakings, the business dynamics and growth potential of the business, having regard to information base, key underlying assumptions and limitations.

Again, it is understood that this analysis does not represent a fairness opinion.

Based on above, the fair value of equity of

Business Undertaking - I is INR 28,097,951,881/-

Business Undertaking - II is INR 24,126,733,108/-

Business Undertaking - III is INR 4,926,470,730/-

Respectfully submitted,

For B S R and Associates
Chartered Accountants
ICAI Firm Registration No. 128901W

Mahek Vikamsey
ICAI Membership No. 108235
Place: Mumbai
Date: 27 December 2014

Annexure I

"Business Undertaking I" means the business undertaking relating to Hisar Unit of the JSL having a net book value of Rs. [•] as on 31 March 2014, on a going concern basis, which shall be inclusive of, but not limited to:-

(i) all assets, whether moveable or immoveable, whether freehold or leasehold, including all rights, title, interest, covenants, undertakings of the Transferor Company pertaining to the Hisar Unit, including without limitation, the immoveable properties listed in Part A of Schedule 2 of the Scheme;

(ii) all investments, receivables, loans and advances, including accrued interest thereon, all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or other entitlements of the Transferor Company pertaining to the Hisar Unit;

(iii) all debts, borrowings and liabilities (except for the secured term borrowings), whether present or future, whether secured or unsecured of the Transferor Company pertaining to the Hisar Unit;

(iv) all permits, rights, entitlements, licenses (including licenses issued by the DGFT under EPCG Scheme, Advance Authorization Scheme, Focused Products Scheme, Focused Marketing Scheme, Duty Drawback Scheme and other schemes or approvals of a like nature issued by the DGFT), approvals, grants, allotments, recommendations, clearances, tenancies, offices, taxes, tax credits (including, but not limited to, credits in respect of income tax, tax deducted at source, sales tax, value added tax, turnover tax, excise duty, service tax), privileges and benefits of all contracts, agreements, tenders, bids, experience and/or performance statements and all other rights including lease rights, licenses, powers and facilities of every kind and description whatsoever of the Transferor Company pertaining to the Hisar Unit;

(v) all copyrights, trademarks, service marks, brand names, logos, patents and other intellectual property rights of whatsoever nature and the goodwill arising therefrom of the Transferor Company pertaining to the Hisar Unit (including without limitation all rights in relation to trademarks, brand names and logos, "Krome 16+" and "Krome 16+ (logo)"), whether registered, unregistered or pending registration;

(vi) all employees of the Transferor Company employed in relation to the Hisar Unit; all legal, tax, regulatory, quasi judicial, administrative proceedings, suits, appeal, applications or other proceedings of whatsoever nature initiated by or against the Transferor Company in connection with the Hisar Unit; and

(vii) all books, record files, papers, computer programs, engineering and process information, manuals, data, production methodologies, production plans, designs, catalogues, quotations, websites, cloud storage, sales and advertising material, marketing strategies, list of present and former customers, customer credit information, customer pricing information, and other records whether in physical form or electronic form or in any other form in connection with or relating to the Transferor Company pertaining to the Hisar unit.

"Hisar Unit" means (i) all the manufacturing facilities of the Transferor Company located at O.P. Jindal Marg, Hisar 125 005, Haryana, India, including, without limitation, the stainless steel manufacturing facility, the special steel facility and the coin blank facility of the Transferor Company and the operations thereat; and (ii) the investments of the Transferor Company in the companies listed in Part B of Schedule 2 of the Scheme hereto, and inter-corporate loans and advances made by the

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Transferor Company to the companies referred to Part B of Schedule 2 of the Scheme of the Scheme hereto.

"Business Undertaking II" means the business undertaking relating to the HSM Plant, on a going concern basis, which shall be inclusive of, but not limited to:

(i) all assets, whether moveable or immoveable, whether freehold or leasehold (including the right to use the land on which the HSM Plant is located but excluding the ownership or leasehold rights in such land), including all rights, title, interest, claims, covenants, undertakings of the Transferor Company pertaining to the HSM Plant including without limitation, the properties listed in Schedule 3 of the Scheme hereto;

(ii) all investments, receivables, loans and advances, including accrued interest thereon, all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or other entitlements of the Transferor Company pertaining to the HSM Plant;

(iii) all debts, borrowings and liabilities (except for the secured term borrowings), whether present or future, whether secured or unsecured, of the Transferor Company pertaining to the HSM Plant;

(iv) all permits, rights, entitlements, licenses (including licenses issued by the DGFT under the Advance Authorization Scheme, Focused Products Scheme, Focused Marketing Scheme, Duty Drawback Scheme and other schemes or approvals of a like nature issued by the DGFT except the EPCG license and the export obligations thereunder), approvals, grants, allotments, recommendations, clearances, tenancies, offices, taxes, tax credits (including, but not limited to, credits in respect of income tax, tax deducted at source, sales tax, value added tax, turnover tax, excise duty, service tax), privileges and benefits of all contracts, agreements, tenders, bids, experience and/or performance statements and all other rights including lease rights, licenses, powers and facilities of every kind and description whatsoever of the Transferor Company pertaining to the HSM Plant;

(v) all copyrights, trademarks, service marks, brand names, logos, patents and other intellectual property rights of whatsoever nature and the goodwill arising therefrom of the Transferor Company pertaining to the HSM Plant, whether registered, unregistered or pending registration;

(vi) all employees of the Transferor Company employed in relation to the HSM Plant;

(vii) all legal, tax, regulatory, quasi judicial, administrative proceedings, suits, appeal, applications or other proceedings of whatsoever nature initiated by or against the Transferor Company in connection with the HSM Plant; and

(viii) all books, record files, papers, computer programs, engineering and process information, manuals, data, production methodologies, production plans, designs, catalogues, quotations, websites, cloud storage, sales and advertising material, marketing strategies, list of present and former customers, customer credit information, customer pricing information, and other records whether in physical form or electronic form or in any other form in connection with or relating to the Transferor Company pertaining to the HSM Plant.

"HSM Plant" means the hot strip mill, plate finishing facility, bell annealing facility and other allied facilities of the Transferor Company located at Kalinga Nagar Industrial Complex, Duburi 755 026, District Jajpur, Odisha, India, and the operations thereat.

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"Business Undertaking III" means the business undertaking relating to the Coke Plant, on a going concern basis, which shall be inclusive of, but not limited to:-

(i) all assets, whether moveable or immoveable, whether freehold or leasehold (including the right to use the land on which the Coke Plant is located but excluding the ownership or leasehold rights in such land), including all rights, title, interest, claims, covenants, undertakings of the Transferor Company pertaining to the Coke Plant, including without limitation, the properties listed in Schedule 4 of the Scheme hereto;

(ii) all investments, receivables, loans and advances, including accrued interest thereon , all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or other entitlements of the Transferor Company pertaining to the Coke Plant;

(iii) all debts, borrowings and liabilities (except for the secured term borrowings), whether present or future, whether secured or unsecured of the Transferor Company pertaining to the Coke Plant;

(iv) all permits, rights, entitlements, licenses (including licenses issued by the DGFT under the Advance Authorization Scheme, Focused Products Scheme, Focused Marketing Scheme, Duty Drawback Scheme and other schemes or approvals of a like nature issued by the DGFT except the EPCG license and the export obligations thereunder), approvals, grants, allotments, recommendations, clearances, tenancies, offices, taxes, tax credits (including, but not limited to, credits in respect of income tax, tax deducted at source, sales tax, value added tax, turnover tax, excise duty, service tax), privileges and benefits of all contracts, agreements, tenders, bids, experience and/or performance statements and all other rights including lease rights, licenses, powers and facilities of every kind and description whatsoever of the Transferor Company pertaining to the Coke Plant;

(v) all copyrights, trademarks, service marks, brand names, logos, patents and other intellectual property rights of whatsoever nature and the goodwill arising therefrom of the Transferor Company pertaining to the Coke Plant, whether registered, unregistered or pending registration;

(vi) all employees of the Transferor Company employed in relation to the Coke Plant;

(vii) all legal, tax, regulatory, quasi judicial, administrative proceedings, suits, appeal, applications or other proceedings of whatsoever nature initiated by or against the Transferor Company in connection with the Coke Plant; and

(viii) all books, record files, papers, computer programs, engineering and process information, manuals, data, production methodologies, production plans, designs catalogues, quotations, websites, cloud storage, sales and advertising material, marketing strategies, list of present and former customers, customer credit information customer pricing information, and other records whether in physical form or electronic form or in any other form in connection with or relating to the Transferor Company pertaining to the Coke Plant.

"Coke Plant" means the coke oven plant and other allied facilities of the Transferor Company located at Kalinga Nagar Industrial Complex, Duburi 755 026, District Jajpur, Odisha, India, and the operations thereat.

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