

STRICTLY CONFIDENTIAL

January 12, 2017

**The Board of Directors,  
Mukand Limited**  
Bajaj Bhavan, 226, Jamnalal Bajaj Marg,  
Nariman Point, Mumbai - 400021

**Subject: Proposed scheme of arrangement between Mukand Limited (“Mukand” or the “Company”), Mukand Vijayanagar Steel Limited (“MVSL”), Mukand Alloy Steels Private Limited (“MASPL”) and their respective shareholders & creditors (“Scheme” or “Scheme of Arrangement”)**

Ladies and Gentlemen:

We refer to the engagement letter dated January 6, 2017 (“**Engagement Letter**”) whereby Mukand Limited (the “**Company**”) has requested JM Financial Institutional Securities Limited (“**JM Financial**”) to provide a fairness opinion to the Board of Directors of the Company on the Share Entitlement Ratio (as defined below) on the Merger (as defined below) recommended in the valuation report dated January 12, 2017 issued by Sharp & Tannan (the “**Valuer**”) (“**Valuation Report**”) for the proposed Scheme under the provisions of Section 230 to Section 232 of the Companies Act, 2013.

The Scheme envisages following:

- I. Slump sale of (i) the alloy steel rolling and finishing business undertaking of the Company together with its business and operations pertaining to rolling and finishing, of alloy steel located at (i) Dighe, Thane, Maharashtra (ii) Ginigera, Koppal, Karnataka, on a going concern basis, and comprising inter alia, all the assets and liabilities which relate to the alloy steel rolling and finishing business (“**Alloy Steel Business**”) and hereinafter referred to as the “**Transferred Undertaking**”) of the Company to MVSL, on a going concern basis (“**Slump Sale**”); and
- II. Thereafter, the amalgamation of MVSL with MASPL (“**Merged Undertakings**”) and vesting of the MVSL in MASPL, on a going concern basis, in accordance with Section 2(1B) of the Income Tax Act, 1961 (“**Merger**”).

**Brief Background**

The Company is a public limited company incorporated under the Companies Act, 1956 and is primarily engaged in the business of, inter alia, the manufacture of speciality steel long products and heavy machinery and also manufacture alloy steel and stainless steel bars, rods, structurals, rails, etc.. The equity shares (“**Equity Shares**”) of the Company are listed on BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**”). BSE and NSE are together hereinafter referred to as the “**Stock Exchanges**”.

MVSL is an unlisted wholly owned subsidiary of the Company, incorporated under the Companies Act, 1956.

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For MUKAND LIMITED

  
K. J. MALLYA  
Company Secretary

**JM Financial Institutional Securities Limited**

(Formerly known as JM Financial Institutional Securities Private Limited)

Corporate Identity Number : U65192MH1995PLC092522

**Regd. Office:** 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025.

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Since both MVSL and MASPL are wholly owned subsidiaries of the Company, there is no change in the economic interest held by the Company in MVSL and MASPL and the Company will continue to retain control of the Merged Undertaking on account of the Merger.

Accordingly post the proposed Merger, the shareholder of MASPL would be same and hence, the proposed Merger is neutral to the shareholders of MASPL and MVSL, being Mukand.

The Company has appointed the Valuer to determine the share entitlement ratio for issue of shares by MASPL to the shareholder of MVSL pursuant to the Merger. The Valuer has recommended share entitlement ratio of 3 equity shares of MASPL for every 1 equity share held in MVSL for the said Merger ("**Share Entitlement Ratio**").

The Company in terms of the Engagement Letter has requested us to examine the Valuation Report and such other information provided by the Company and issue our independent opinion as to the fairness of the Share Entitlement Ratio for the Merger ("**Fairness Opinion**").

Scope of work of this Fairness Opinion includes commenting only on the fairness of the Share Entitlement Ratio and not on the fairness or economic rationale of the Scheme per se or the valuation methods used by the Valuer.

This Fairness Opinion is subject to the scope, assumptions, exclusions, scope limitations and disclaimers detailed hereinafter. As such the Fairness Opinion is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. The same has been issued as per the requirements of SEBI circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015.


#### **Source of Information**

For the said examination and for arriving at the opinion set forth below, we have:

1. Perused the Valuation Report and held discussions with the Valuers
2. Perused certain business and financial information relating to the Alloy Steel Business provided to us by the Company;
3. Perused annual reports of the Company, MVSL and MASPL for the financial year ended March 31, 2016;
4. Reviewed the draft Scheme; and
5. Reviewed current shareholding pattern and capital structure of MVSL and MASPL
6. Reviewed other information provided by the Company including information provided through their management representation letter.

#### **Scope Limitations**

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was provided or otherwise made available to us by the Company for the purposes of this opinion. We have not conducted any due diligence and express no opinion and accordingly accept no responsibility with respect to or for such information, or the assumptions on which it is based. We have not reviewed any books and records of the Company other than those provided or made available to us. We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties, facilities or assets of the Company and neither express any opinion with respect thereto nor accept any responsibility thereof. We have not made any independent valuation or appraisal of the assets or liabilities of the Company nor have we been furnished with any such appraisals. We have not reviewed any internal management information statements or any non-public reports except as provided by the Company, and instead, with your consent, have relied upon information that was provided or otherwise made available to us

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For MUKAND LIMITED  
  
K. J. MALLYA  
Company Secretary

by the Company for the purposes of this opinion. We further do not provide any opinion on taxation, legal, actuarial or accounting matters related to the Scheme or otherwise and the Company and the shareholders shall not rely on this opinion for these matters.

We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the proposed Scheme, no changes will be imposed that will have a material adverse effect on the proposed Scheme. We understand that the management of the Company, during our discussion with them has drawn our attention to all such information and matters which may have an impact on our analysis and opinion. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion.

In the ordinary course of business, JM Financial Group (JM Financial Group includes JM Financial and its affiliates) is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of the JM Financial Group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Scheme.

We express no opinion whatever and make no recommendation at all as to the Company's underlying decision to undertake the Scheme or provide any kind of recommendation to the equity shareholders of the Company as to how they should vote in the resolution of the shareholders for the Scheme. We also do not provide any recommendation to the creditors of the Company with respect to proposed Scheme. We also express no opinion and accordingly accept no responsibility for the impact of the proposed Scheme on the current or future value and / or price of the Equity Shares of the Company. We do not express any opinion on the sufficiency of the methodology applied / procedures employed by the Valuer in determining Share Entitlement Ratio. Shareholders should make their independent assessment of the economic benefits as also the overall Scheme for arriving at their decision.

### **Conclusion**

Based on our examination of the Valuation Report and such other information provided to us by the Company and given that the shareholder of MASPL will remain the same post the Merger and our independent analysis and evaluation of such information and subject to the scope and limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the Share Entitlement Ratio considered for the purpose of the Merger is fair to the Company.

### **Distribution of the Fairness Opinion**

The Fairness Opinion is addressed only to the Board of Directors of the Company. The Fairness Opinion shall not be disclosed or referred to publicly or to any other third party without JM Financial's prior written consent. However, the Company may provide a copy of the Fairness Opinion if requested / called upon by any regulatory authorities of India subject to the Company promptly intimating JM Financial in writing about receipt of such request from the regulatory authority. The Fairness Opinion should be read in totality and not in parts. Further this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other

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For MUKAND LIMITED



K.J.J. MALLYA  
Company Secretary

agreement or documents given to third parties. In no circumstances, will JM Financial or its directors, officers, employees and controlling persons of JM Financial accept any responsibility or liability including any pecuniary or financial liability to any third party.

Yours truly,

For **JM Financial Institutional Securities Limited**



Authorized Signatory

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For MUKAND LIMITED



K.J. MALLYA  
Company Secretary