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## Private and Confidential

### AM Mining India Private Limited

Ground Floor, A-74  
Nizamuddin East  
New Delhi, 110013

### **Subject: Valuation of compulsorily convertible preference shares proposed to be issued by AM Mining India Private Limited**

Dear Sir,

We refer to our engagement letter dated July 26, 2022, wherein AM Mining India Private Limited appointed RBSA Capital Advisors LLP (“RBSA” or “Valuer” or “We”) to carry out the valuation of the proposed compulsorily convertible preference shares (for details, refer paragraph 6.4 below) as at September 30, 2022 (“Valuation date”), on an ‘as is where is’, ‘going concern value’ premise, pursuant to Rule 11UA read with Section 56 of Income Tax Act, 1961.

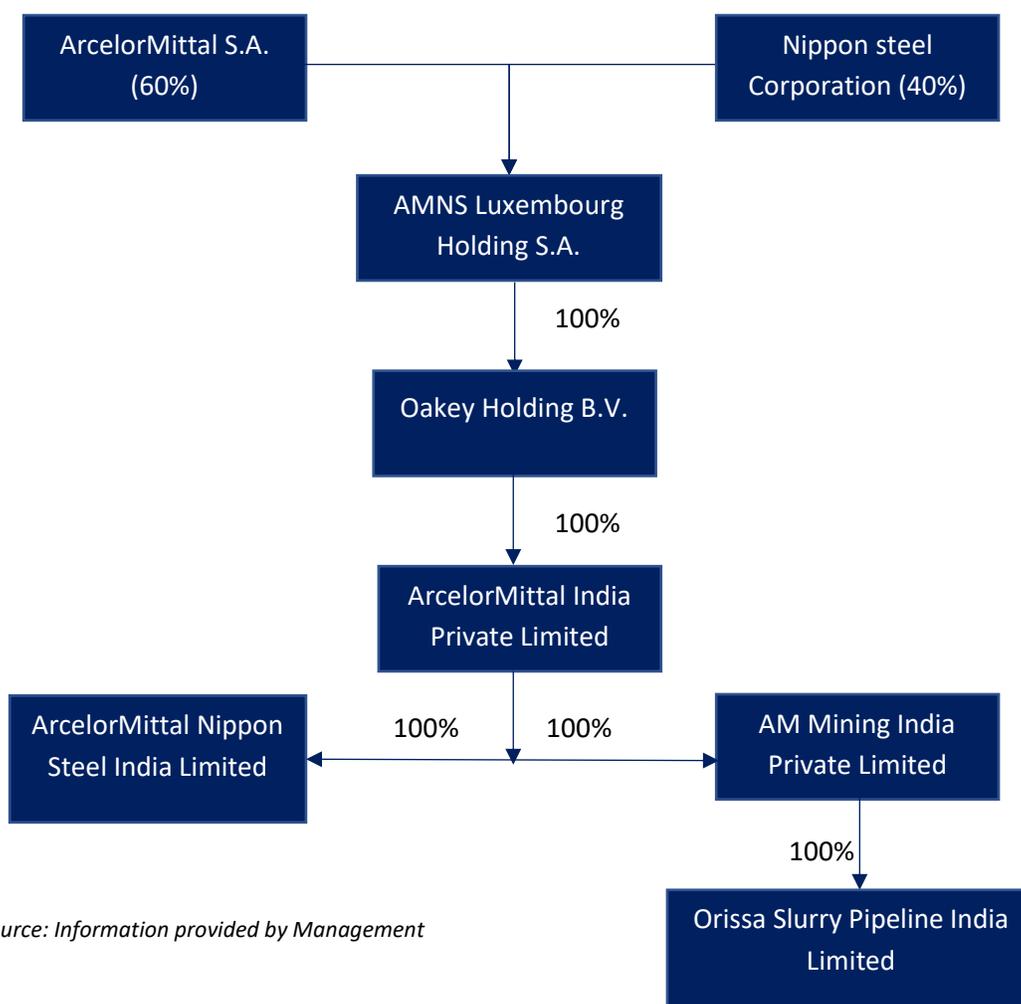
#### **1. Preamble**

- 1.1. ArcelorMittal India Private Limited (“AMIPL”) was incorporated on April 10, 2006, to carry on the business of prospecting, and mining of iron ore and manufacture of iron, steel and other alloys. AMIPL had amended its memorandum of association to include the business of generation/ supply/ transmission of electricity by any source such as solar, wind, hydro, thermal etc.
- 1.2. Equity shares of AMIPL are held by Oakey Holding B.V., Netherlands. Further, the equity shares of Oakey Holding B.V. are held by AMNS Luxembourg Holding S.A. which is a joint venture between ArcelorMittal S.A. (Luxembourg) (60%) and Nippon steel Corporation (40%).
- 1.3. ArcelorMittal Nippon Steel India Limited (“AMNSI”), a wholly owned subsidiary of AMIPL, is a public limited company incorporated in India. AMNSI owns and operates an integrated steel manufacturing facility in India. AMNSI also operates processing and distribution centers and hypermarkets at various locations across India.
- 1.4. ArcelorMittal Associates India Private Limited (“AMA IPL”), incorporated on February 18, 2020, is presently engaged in the business of, inter alia, manufacturing, prospecting, operating and otherwise dealing in mining.

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- 1.5. On September 18, 2020, the Board of Directors of AMIPL, AMNSI and AMAIPL approved the “Composite Scheme of Arrangement” under section 230 to 232 read with section 66 and other applicable provisions of the Companies Act, 2013 wherein certain identified assets and liabilities of AMIPL have been proposed to be transferred to AMAIPL against shares to be issued and merger of AMIPL with residual assets and liabilities with its fully owned subsidiary, ArcelorMittal Nippon Steel India Limited. The said scheme has been filed with National Company Law Tribunal, Ahmedabad on November 13, 2020, and is awaiting approval.
  
- 1.6. AM Mining India Private Limited (“AMMIPL” / “Client” / “Company”) is a wholly owned subsidiary of AMIPL and was incorporated in October 2019. The equity shares of AMMIPL are not listed on any stock exchanges.



Source: Information provided by Management

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- 1.7. AMMIPL is proposing to issue Class A compulsorily convertible preference shares (“Proposed Class A CCPS”) to AMNSI and Class B compulsorily convertible preference shares (“Proposed Class B CCPS”) to AMIPL. Proposed Class A CCPS and Proposed Class B CCPS are together referred to as “Proposed CCPS”.
- 1.8. In this context, the management of AMMIPL (the “Management”) had appointed RBSA Capital Advisors LLP, a Category I Merchant Banker registered with Securities and Exchange Board of India (“SEBI”), to carry out the valuation of Proposed CCPS as at September 30, 2022, pursuant to Rule 11UA read with Section 56 of Income Tax Act, 1961 (together referred to as the “IT Guidelines”).
- 1.9. We have carried out the valuation of Proposed CCPS of AMMIPL as at the Valuation Date, on an ‘as is where is’, ‘going concern value’ premise, pursuant to the IT Guidelines. Our approach, along with the valuation conclusions, are detailed in this Report.

## 2. Background

- 2.1. AMMIPL was incorporated on 31 October 2019, under the Companies Act 2013 to carry on the business of prospecting, and mining of iron ore and various other minerals in India and internationally, apart from setting up infrastructure projects either on its own or through any other entity. We understand from the Management that as on the Valuation Date, AMMIPL:

- Holds investment (equity and ZCDs) in Odisha Slurry Pipeline India Limited (“OSPIL”)
- Pursuant to the auction held by the Liquidator of EPC Construction India Limited (“EPCC”) in February 2022, AMMIPL acquired building, plant & machinery and other movable assets including inventory and stores & spares of the Heavy Engineering Division of EPCC (together referred as “EPCC Assets”) for a sale consideration of ~INR 712.4 Mn (excluding taxes). During FY 23, AMMIPL granted the right to use EPCC Assets to AMNSI for a fee of INR 14.83 crores per annum. The Management has assumed an escalation of 5% on annual basis on the RTU fee.
- Has paid an advance of INR 871.7 Mn for the acquisition of land admeasuring 2,03,000 sq. Mtrs. at near village Gaviar, Taluka Choryasi, District Surat, Gujarat, owned by ABG Shipyard Limited (In Liquidation) (“ABG Land”).

Apart from the aforementioned, AMMIPL does not have any other material assets/ business operations as of the Valuation Date.

## 2.2. Share Capital

- 2.2.1. Equity Shareholding pattern of AMMIPL as of the Valuation Date, is as under:

Particulars	No. of equity shares #	% Of the Paid-up Capital
ArcelorMittal India Private Limited	18,50,000	100.0%
<b>Total</b>	<b>18,50,000</b>	

# Face Value of INR 10 each.

Source: Information provided by Management

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2.2.2. Shareholding pattern of OSPIL CCPS as of the Valuation Date, is as under:

Particulars	No. of preference shares #	% Of the Paid-up Capital
ArcelorMittal Nippon Steel India Limited	790,000,000	100.0%
<b>Total</b>	<b>790,000,000</b>	

# During FY21, AMMIPL had issued 790,000,000 compulsorily convertible (0.01%) preference shares (“OSPIL CCPS”) of Rs 10 each at a premium of Rs. 20 each to AMNSI. OSPIL CCPS are compulsorily convertible into equity shares at the option of the holder only after expiry of five years from the date of the allotment of the CCPS i.e., only after 5<sup>th</sup> July 2025 but before the end of the term. At the end of the term, if the holder has not exercised the option of conversion and the CCPS have not been converted into equity shares, the OSPIL CCPS shall be compulsorily converted into equity shares at the ratio of 1:1.

Source: Information provided by Management

2.2.3. Equity shares and OSPIL CCPS of AMMIPL are not listed on any stock exchanges.

2.2.4. For key terms of the Proposed CCPS, refer paragraph 6.4.

2.3. Extracts of Historical Stand-alone Financial Statements of AMMIPL:

## Extracts of Income Statement

Particulars for the year/ period ended	(In INR Mn)			
	September 30, 2022	March 31, 2022	March 31, 2021	March 31, 2020
	Unaudited / Provisional	Audited	Audited	Audited
Number of months	6	12	12	12
Other Income	559.26	915.84	639.19	-
<b>Total Income</b>	<b>559.26</b>	<b>915.84</b>	<b>639.19</b>	<b>0.00</b>
<b>Expenses</b>				
Other Expenses	4.01	8.87	81.46	4.75
<b>Total Expenses</b>	<b>4.01</b>	<b>8.87</b>	<b>81.46</b>	<b>4.75</b>
<b>EBITDA</b>	<b>555.25</b>	<b>906.96</b>	<b>557.74</b>	<b>(4.75)</b>
Depreciation and Amortization	26.19	7.93	0.11	-
<b>EBIT</b>	<b>529.06</b>	<b>899.03</b>	<b>557.62</b>	<b>(4.75)</b>
Finance Cost	73.84	38.99	0.34	-
<b>Profit Before Tax</b>	<b>455.22</b>	<b>860.04</b>	<b>557.28</b>	<b>(4.75)</b>
Less: Tax	0.00	-19.78	0.03	-
<b>Profit after Tax</b>	<b>455.22</b>	<b>879.82</b>	<b>557.25</b>	<b>(4.75)</b>

Source: Information provided by Management

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## Extracts of Balance Sheet

(In INR Mn)

Particulars as on	September 30, 2022	March 31, 2022	March 31, 2021	March 31, 2020
	Unaudited / Provisional	Audited	Audited	Audited
<b>Assets</b>				
<b><u>Non-Current Assets</u></b>				
Property, plant, and equipment	717.60	743.79	-	-
Right of use assets	-	-	0.23	-
Investments	13242.31	12,757.34	11,841.96	-
Loans	-	-	0.23	-
Other Non-current Assets	12396.30	12,396.30	12,396.30	-
<b>Total Non-Current Assets</b>	<b>27,248.20</b>	<b>26,599.92</b>	<b>24,238.49</b>	<b>0.00</b>
<b><u>Current Assets</u></b>				
Trade receivables	23.81	-	-	-
Cash and Bank	21.26	24.09	21.76	7.73
Other Financial Assets	110.16	62.77	9.29	-
Other Current Assets	23.81	-	-	-
<b>Total Current Assets</b>	<b>155.22</b>	<b>97.09</b>	<b>31.98</b>	<b>7.73</b>
<b>Total Assets</b>	<b>27,403.43</b>	<b>26,697.01</b>	<b>24,270.47</b>	<b>7.73</b>
<b><u>Equity and Liabilities</u></b>				
<b><u>Equity</u></b>				
Share Capital	18.50	18.50	1.90	1.90
Other Equity				
Equity component of compound financial instrument	7,894.63	7,894.63	7,894.63	-
Reserve and Surplus	17,728.84	17,273.62	16,360.60	3.35
<b>Total Equity</b>	<b>25,641.98</b>	<b>25,186.76</b>	<b>24,257.13</b>	<b>5.25</b>
<b><u>Liabilities</u></b>				
Borrowings (including interest accrued on ICDs)	1,759.89	1,505.00	5.67	-
Current Liabilities	1.57	5.26	7.67	2.48
<b>Total Equity and Liabilities</b>	<b>27,403.43</b>	<b>26,697.01</b>	<b>24,270.47</b>	<b>7.73</b>

Source: Information provided by Management

- Investment and Loans comprise investment in equity shares and zero coupon non-convertible debentures ("ZCDs") of OSPIL. Pursuant to the Resolution Plan, in July 2020, AMMIPL subscribed to 1,000,000 equity shares and 2,359,000,000 ZCDs of OSPIL. After the implementation of the Resolution Plan, OSPIL became a wholly owned subsidiary of AMMIPL.
- OSPIL was acquired by AMMIPL pursuant to a Resolution Plan approved by NCLT, Cuttack on 2 March 2020. NCLT also observed that the Resolution Plan provides repayment of the admitted and verified principal dues to all financial creditors of OSPIL, which is indeed "fair and equitable" and has taken care of the interests of all stakeholders. Accordingly, the acquisition price of AMMIPL's investment in OSPIL (equity and ZCDs) has been considered as representative of the fair value of the investment as of the acquisition date.

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- ZCDs have a term of 10 (ten) years from their allotment. As per IND AS 109, AMMIPL has fair valued the ZCDs on its allotment date at INR 11,203.7 million and the balance of INR 12,386.3 million has been treated as deemed investment in OSPIL.
- Other equity primarily includes OSPILI CCPS issued by AMMIPL.

## 2.4. Odisha Slurry Pipeline Infrastructure Limited

- 2.4.1. ArcelorMittal Nippon Steel India Limited, formerly known as Essar Steel India Limited (“ESIL”), and OSPIL entered into a Business Transfer Agreement (“BTA”) dated 27th February 2015 pursuant to which a business undertaking of ESIL, viz. Slurry Pipeline was agreed to be transferred to OSPIL for a total consideration of INR 4,000 Crore. The purchase consideration was proposed to be paid in a phased manner; however, ESIL had the right to exercise an option for transfer of the Slurry Pipeline back to it from OSPIL, in the event that OSPIL fails to pay the installments of the Purchase Consideration. ESIL and OSPIL had also entered into a Right to Use agreement (“RTUA”) dated March 30, 2015, wherein OSPIL allowed ESIL to use the allocated capacity of the Slurry Pipeline in consideration of payment of usage charges. The RTUA was further amended by the addendum dated August 31, 2015, wherein it was *inter alia* agreed that the usage charges will be in proportion to the payment of purchase consideration.
- 2.4.2. OSPIL paid a part of the purchase consideration to ESIL, however, in January 2016, the RBI issued a clarification to banks stating that such sale and lease back transactions will be treated as an event of restructuring for the debt of the seller as well as the buyer. Thus, OSPIL could not raise the envisaged debt and equity for making the payment of the full amount of purchase consideration to ESIL for the transaction, thus effectively frustrating the transaction. Therefore, the parties mutually entered into an agreement dated 24<sup>th</sup> June 2016 (“Cancellation Deed”) agreeing *inter-alia* to unwind the aforementioned transaction w.e.f. 30<sup>th</sup> June 2016 and re-transfer the Slurry Pipeline, along with loans availed by OSPIL (for funding the purchase of Slurry Pipeline) to ESIL.
- 2.4.3. To give effect of cancellation deed, some of ESIL’s lenders and OSPIL’s lenders granted in-principal approval to ESIL and OSPIL respectively, however SREI Infrastructure Finance Ltd. (SREI), objected and filed a suit before the Civil Judge (Senior Division) at Sealdah. SREI also filed an application seeking interim reliefs which was refused by the Hon’ble Civil Judge at Sealdah. SREI filed an appeal in Calcutta High Court, seeking injunction in relation to unwinding of the RTUA as set out in the Cancellation Deed. The Hon’ble Calcutta High Court vide its order dated 22nd December 2016 passed an ex-parte order for status-quo with regard to alienation, transfer in respect of the Slurry Pipeline which has been extended from time to time and is still in force.
- 2.4.4. Post-January 2016, OSPIL has not recognized revenue considering inter-alia the following:
- “Cancellation Deed” was signed between ESIL and OSPIL on June 24, 2016, for the cancellation of RTUA which had been challenged by SREI.

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- The matter relating to the ownership of Slurry Pipeline is sub-judice.
- There is no reasonable certainty on recovery of the revenue/ cash inflow until the matter gets resolved at the High court or higher authorities.
- ESIL continues to operate the assets and hence no cost is being incurred by OSPIL towards this asset.

2.4.5. OSPIL was admitted into the corporate insolvency resolution process by NCLT, Cuttack on May 14, 2019, in terms of the Insolvency & Bankruptcy Code, 2016. AMIPL acquired OSPIL through AMMIPL, its wholly owned subsidiary. AMMIPL implemented the resolution plan (“Resolution Plan”) approved by National Company Law Tribunal (“NCLT”), Cuttack on 2 March 2020 for Odisha Slurry Pipeline India Limited (“OSPIL”). Pursuant to the Resolution Plan, OSPIL issued equity shares and zero coupon non-convertible debentures to AMMIPL. AMMIPL issued OSPIL CCPS to AMNSI in July 2020 to finance the acquisition of OSPIL.

2.5. After the implementation of the Resolution Plan, OSPIL became a wholly owned subsidiary of AMMIPL. As on the Valuation Date, AMMIPL holds investment (equity and ZCDs) in OSPIL. Slurry Pipeline is a critical asset for the operations of AMNSI and is currently operated by AMNSI.

2.6. Extracts of Historical standalone financial statements of OSPIL

## Extracts of Income Statement

(In INR Mn)

Particulars for the year/ period ended	Sept 30, 2022 Unaudited / Provisional	March 31, 2022 Audited	March 31, 2021 Audited	March 31, 2020 Audited
No of Months	6	12	12	12
Other Income	0.10	0.17	0.14	0.20
<b>Total Income</b>	<b>0.10</b>	<b>0.17</b>	<b>0.14</b>	<b>0.20</b>
<b>Expenses</b>				
Other Expenses	2.57	2.43	23.51	17.74
<b>Total Expenses</b>	<b>2.57</b>	<b>2.43</b>	<b>23.51</b>	<b>17.74</b>
<b>EBITDA</b>	<b>-2.47</b>	<b>-2.26</b>	<b>-23.37</b>	<b>-17.54</b>
Depreciation and Amortization	760.62	1,521.25	1,517.08	1,525.41
<b>EBIT</b>	<b>-763.09</b>	<b>-1,523.51</b>	<b>-1,540.45</b>	<b>-1,542.95</b>
Finance Cost	484.96	915.38	638.97	4,504.49
<b>Profit Before Tax</b>	<b>-1,248.05</b>	<b>-2,438.89</b>	<b>-2,179.41</b>	<b>-6,047.44</b>
Exceptional item (expenses)/income	0.00		16,673.76	-
Less: Tax	122.06	230.38	4,183.69	1,082.06
<b>Profit after Tax</b>	<b>-1,126.00</b>	<b>-2,208.51</b>	<b>18,678.03</b>	<b>-4,965.38</b>

Source: Information provided by the Management

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## Extract of balance sheet

(In INR Mn)

Particulars as on	Sept 30, 2022 Unaudited / Provisional	March 31, 2022 Audited	March 31, 2021 Audited	March 31, 2020 Audited
<b>Assets</b>				
<b>Non-Current Assets</b>				
Plant Property and Equipment	28,615.11	29,375.73	30,896.97	32,414.05
Other Non-current Assets	0.04	0.03	0.02	112.33
<b>Total Non-Current Assets</b>	<b>28,615.15</b>	<b>29,375.76</b>	<b>30,897.00</b>	<b>32,526.39</b>
Current Assets	10.13	12.89	16.15	57.18
<b>Total Assets</b>	<b>28,625.27</b>	<b>29,388.65</b>	<b>30,913.15</b>	<b>32,583.56</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share Capital	10.00	10.00	10.00	85.95
Other Equity	-2,664.35	-1,538.35	670.16	-27,362.74
<b>Total Equity</b>	<b>-2,654.35</b>	<b>-1,528.35</b>	<b>680.16</b>	<b>-27,276.79</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Borrowings	13,242.31	12,757.34	11,841.96	-
Deferred Tax Liabilities	2,604.31	2,726.36	2,956.75	4,023.05
<b>Total Non-Current Liabilities</b>	<b>15,846.62</b>	<b>15,483.71</b>	<b>14,798.71</b>	<b>4,023.05</b>
Current Liabilities	15,433.01	15,433.29	15,434.28	55,837.31
<b>Total Equity and Liabilities</b>	<b>28,625.27</b>	<b>29,388.65</b>	<b>30,913.15</b>	<b>32,583.56</b>

Source: Information provided by the Management

### 3. Sources of Information

For arriving at the fair value set forth below, we have relied upon sources of information received from Management and/ or available in the public domain:

- Audited financial statements of AMMIPL and OSPIL for the period ended March 31, 2020, March 31, 2021 and March 31, 2022;
- Unaudited/ provisional financial statements of AMMIPL and OSPIL for the period ended September 30, 2022, prepared by the Management;
- Shareholding pattern of AMMIPL, AMIPL and AMNSI as of March 31, 2022 and the Valuation Date;
- Projected cash flows for EPCC Assets considering *inter-alia* the right to use arrangement with AMNSI and estimate of balance economic life of EPCC Assets, which represents Management's best estimate of the expected cashflows from EPCC Assets ("EPCC Projections");
- Key terms of the OSPIL CCPS issued by AMMIPL;
- Key terms of the Proposed CCPS proposed to be issued by AMMIPL;
- Publicly available information and information from secondary sources;
- Discussions and correspondence with the Management.

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We have also obtained the explanations, information, and representations, which we believed were reasonably necessary and relevant for our exercise from the Management.

## 4. Procedures

The procedures used in our valuation included such substantive steps as we considered necessary under the circumstances, including, the following:

- Considered audited financial statements of AMMIPL and OSPIL for the period ended March 31, 2020, March 31, 2021 and March 31, 2022;
- Considered unaudited/ provisional financial statements of AMMIPL and OSPIL for the period ended September 30, 2022, prepared by the Management;
- Considered EPCC Projections;
- Considered shareholding pattern of AMMIPL, AMIPL and AMNSI as of March 2022 and the Valuation Date;
- Considered key terms of OSPIL CCPS issued by AMMIPL;
- Considered key terms of the Proposed CCPS proposed to be issued by AMMIPL;
- Such other analyses, reviews, and inquiries, as we considered necessary.

## 5. Valuation Approach and Methodology

5.1. Valuation is carried out in accordance with the Valuation Standards issued by the Institute of Chartered Accountants of India (“ICAI Valuation Standards”). The bases of value adopted for the valuation of Company is fair value, which is defined as “The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.” Valuation of Proposed CCPS is carried out on an ‘as is where is’, ‘going concern value’ premise.

5.2. As per Rule 11UA(1)(c) of the Income Tax Act, 1961 –

*“The fair market value of unquoted shares and securities other than equity shares in a company which are not listed in any recognized stock exchange shall be estimated to be price it would fetch if sold in the open market on the valuation date”.*

The commonly accepted methods for determining the value of CCPS of a company include:

- Income Approach – Discounted Cash Flow method
- Market Approach
- Asset Approach – Net Asset Value method.

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5.3. There are several commonly used and accepted methods, within the market approach, income approach and asset approach, for determining the fair value of Proposed CCPS, which can be considered in the present case, to the extent relevant and applicable, and subject to the availability of detailed information, to arrive at the fair value of Proposed CCPS.

## 5.4. Market Approach

5.4.1. 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.

### 5.4.2. Market Price Method

Under this method, the value of shares of a company is estimated by considering the average market capitalization of such companies as quoted on a recognized 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.

### 5.4.3. Comparable Companies Multiple (“CCM”) Method:

Under this method, one attempts to measure the value of the shares / business of a 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.

### 5.4.4. Comparable Transaction Multiple (“CTM”) Method

Under Comparable Transaction Method, the value of shares / business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

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## 5.4.5. Price of Recent Investment (“PORI”)

Under this valuation method, the recent investment in the business by an independent party may be taken as the base value for the current appraisal.

## 5.5. Income Approach – Discounted Cash Flow (“DCF”)

5.5.1. 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 capitalized) amount. The value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

5.5.2. Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm. Such DCF analysis involves determining the following:

- **Estimating future free cash flows:**

Free cash flows are the cash flows expected to be generated by the company/ asset that are available to the providers of the company’s capital – both debt and equity.

- **Appropriate discount rate to be applied to cash flows i.e., the cost of capital:**

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.

## 5.6. Asset Approach

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. A net asset methodology is most applicable for businesses where the value lies in its underlying assets and not in the ongoing operations of the business.

## 5.7. Monte Carlo simulation:

Monte Carlo Simulation, also known as the Monte Carlo Method or a multiple probability simulation, is a mathematical technique, which is used to estimate the possible outcomes of an uncertain event. Monte Carlo valuation relies on risk neutral valuation. Here the price of the option is its discounted expected value. The technique applied is to generate a large number of possible, but random, price paths for the underlying via simulation, and to then calculate the associated exercise value (i.e., "payoff") of the option for each path. These payoffs are then averaged and discounted to today. This result is the value of the option.

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## 5.8. Valuation Approach/ methodology adopted for valuation of ordinary equity shares AMMIPL

5.8.1. AMMIPL, incorporated in October 2019, is a wholly owned subsidiary of AMIPL. We understand from the Management that as on the Valuation Date, AMMIPL:

- Holds investment (equity and ZCDs) in OSPIL
- Has acquired EPCC Assets
- Has paid an advance of INR 871.7 Mn for acquisition of ABG Land

Apart from the aforementioned, AMMIPL does not have any other material assets/ business operations as at the Valuation Date.

5.8.2. The equity shares and OSPIL CCPS of AMMIPL are not listed on any stock exchanges. Valuation of AMMIPL is carried out on an 'as is, where is', 'going concern value' premise. We understand from the Management that considering inter-alia the factors set out in para 2.4 above, medium to long-term financial projections of OSPIL as at Valuation Date are not available. Considering the aforementioned, Market Approach or Income Approach are not adopted for the valuation.

5.8.3. Asset Approach has been adopted for the valuation of AMMIPL considering inter-alia the following:

### 5.8.3.1. OSPIL:

As on the Valuation Date, AMMIPL holds investment (equity and ZCDs) in OSPIL. AMMIPL has invested in equity shares and zero coupon non-convertible debentures of OSPIL in FY 2021. The Slurry Pipeline ownership matter is sub-judice and accordingly, OSPIL has not recognized any operating revenue during FY 2020-21 and FY 2021-22. Management represented that there are no material changes in business and operational status of OSPIL (including pending litigation matters) between the date of subscription of equity shares and ZCDs in OSPIL by AMMIPL (July 2020) and the Valuation Date. Accordingly, the acquisition price of AMMIPL's investment/ loans to OSPIL (equity and ZCDs) has been considered as representative of fair value of the investment as on Valuation Date.

### 5.8.3.2. ABG Land:

- AMMIPL participated in the sale process under liquidation of ABG and was declared as the successful bidder in January 2022 for ABG Land. Pursuant to the terms of the sale process, AMMIPL paid a capital advance of ~INR 871.7 Mn and is in process of obtaining all regulatory approvals for executing the sale deed with the liquidator of ABG.
- ABG Land was recently acquired by AMMIPL through an auction process. The acquisition price of ABG Land has been considered as representative of fair value of the investment as on the acquisition date. Management represented that there are no material changes in the status of underlying assets between the date of their acquisition and the Valuation Date. Accordingly, the acquisition price of such assets has been considered as representative of the fair value of such assets as on the Valuation Date.

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## 5.8.3.3. EPCC Assets:

- Pursuant to the auction held by the Liquidator of EPCC in February 2022, AMMIPL acquired EPCC Assets for a sale consideration of ~ INR 712.4 Mn (excluding taxes). During FY 23, AMMIPL granted the right to use EPCC Assets to AMNSI for fees of INR 14.83 crores per annum. The Management has provided projected cash flows from the EPCC Assets, after considering inter-alia the right to use arrangement with AMNSI, an escalation of 5% on annual basis on the RTU fees and estimate of balance economic life of the EPCC Assets, which represents their best estimate of the expected cash flows from EPCC Assets.
- For fair valuation of EPCC Assets, we have considered the EPCC Projections and have discounted such cash flows at an appropriate discount rate.
- EPCC Assets have been recently acquired. Accordingly, we have also considered the Asset approach (WDV based on the acquisition cost of the EPCC Assets) for valuation of the EPCC Assets.
- We have assigned equal weights to value outcome under the Income Approach (DCF Method) and Asset Approach (WDV based on the acquisition cost of the EPCC Assets), for valuation of the EPCC Assets.

## 5.8.4. Approach and methodology for valuation of Proposed CCPS, refer para 5.6.

## 6. Key Considerations

### 6.1. Business operations

We understand from the Management that, as on the Valuation Date, AMMIPL:

- Holds investment (equity and ZCDs) in OSPIL
- Has acquired certain assets of Heavy Engineering Division of EPCC
- Has paid an advance of INR 871.7 Mn for acquisition of ABG Land

Apart from the aforementioned, AMMIPL does not have any other material assets/ business operations as at the Valuation Date.

### 6.2. OSPIL

- 6.2.1. OSPIL was acquired by AMMIPL pursuant to a Resolution Plan approved by NCLT, Cuttack on 2 March 2020. NCLT also observed that the Resolution Plan provides repayment of the admitted and verified principal dues to all financial creditors of OSPIL, which is indeed "fair and equitable" and has taken care of the interests of all stakeholders.

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6.2.2. During July 2020, AMMIPL issued 790,000,000, 0.01% CCPS of Rs 10 each at a premium of Rs. 20 each to AMNSI. As per the terms of Issue, OSPIL CCPS are convertible into equivalent equity shares with conversion ratio of 1:1 at any time after 5 years but before the end of the Term. AMNSI will not be able to convert the OSPIL CCPS unless it obtains the approval of its holding company i.e., AMIPL. At the end of the term, if the holder has not exercised the option of conversion and the OSPIL CCPS have not been converted into equity shares, the OSPIL CCPS shall be compulsorily converted into equity shares at the ratio of 1:1. The proceeds of OSPIL CCPS were utilized by AMMIPL for subscribing to equity shares and ZCDs of OSPIL pursuant to implementation of the Resolution Plan. The matter relating to the ownership of Slurry Pipeline is sub-judice (For details, refer 2.4 above). Implications, if any, of the ultimate outcome of this matter on OSPIL/ AMMIPL is currently not ascertainable as the matter is sub-judice.

6.2.3. We understand from the Management that:

- OSPIL CCPS are convertible into equivalent equity shares with conversion ratio of 1:1 at any time after 5 years but before the end of the Term.
- Considering *inter-alia*, the current operational/ acquisition status of OSPIL, EPCC Assets, ABG Land and the capital requirement in the near to medium term, the Management does not expect any material dividend/ other distribution to the equity shareholders of AMMIPL during in short/medium term.

Considering the aforementioned:

- the economic interest of OSPIL CCPS holders of AMMIPL vis-à-vis equity shareholders of AMMIPL, and
- the value of AMNSI's investment in OSPIL CCPS of AMMIPL,

are not likely to be affected due to non-conversion of OSPIL CCPS for 5 years from OSPIL issue date.

6.2.4. Slurry Pipeline is a critical asset for the operations of AMNSI and is currently operated by AMNSI. We understand from the Management that no material changes have occurred in the business and operational status of OSPIL (including pending litigation matters) between the OSPIL acquisition date and the Valuation date.

6.3. ABG Land and EPCC Assets:

6.3.1. ABG Land

6.3.1.1. AMMIPL participated in the sale process under liquidation of ABG and was declared as the successful bidder in January 2022 for ABG Land. Pursuant to the terms of the sale process, AMMIPL paid a capital advance of ~INR 871.7 Mn and is in process of obtaining all regulatory approvals for executing the sale deed with the liquidator of ABG.

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6.3.1.2. ABG Land was recently acquired by AMMIPL through an auction process. Accordingly, the acquisition price of ABG Land has been considered as representative of fair value of the investment as on the acquisition date. Management represented that there are no material changes in the status of underlying assets between the date of their acquisition and the Valuation Date. Accordingly, the acquisition price has been considered as representative of the fair value of such assets as on the Valuation Date.

## 6.3.2. EPCC Assets

6.3.2.1. Pursuant to the auction held by the Liquidator of EPCC in February 2022, AMMIPL acquired EPCC Assets for a sale consideration of ~INR 712.4 Mn (excluding taxes). During FY 23, AMMIPL granted the right to use EPCC Assets to AMNSI for right to use fees of INR 14.83 crores p.a.

6.3.2.2. The Management has provided projected cash flows from the EPCC Assets, after considering inter-alia the right to use arrangement with AMNSI, an escalation of 5% on annual basis on the RTU fees and estimate of balance economic life of the EPCC Assets, which represents their best estimate of the expected cash flows from EPCC Assets. For fair valuation of EPCC Assets, we have considered the EPCC Projections and have discounted such cash flows at an appropriate discount rate.

6.3.2.3. EPCC Assets have been recently acquired. Accordingly, we have also considered the Asset approach (WDV based on the acquisition cost of the EPCC Assets) for valuation of the EPCC Assets.

6.3.2.4. We have assigned equal weights to value outcome under the Income Approach (DCF Method) and Asset Approach (WDV based on the acquisition cost of the EPCC Assets), for valuation of the EPCC Assets.

6.3.3. AMMIPL borrowed inter corporate deposit ("AMIPL ICD") of INR 1,743.74 Mn from AMIPL. AMIPL ICD carry interest of 7.95% per annum and is repayable at the end of 5 years from the date of disbursement. We understand from the Management that the proceeds of AMIPL ICD were primarily utilized for acquisition of ABG Land and EPCC assets.

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## 6.4. Proposed CCPS

6.4.1. AMMIPL is proposing to issue Proposed Class A CCPS to AMNSI and Proposed Class B CCPS to AMIPL.

## 6.4.2. Key terms of the Proposed CCPS

We understand from the Management that following are the key terms of Proposed Class A CCPS to be issued to AMNSI and Proposed Class B CCPS to be issued to AMIPL are as follows:

Terms	Class A CCPS	Class B CCPS
Allottee/Holder	AMNSI	AMIPL
Face value	INR 10 (Rupees Ten)	INR 10 (Rupees Ten)
Term	20 (twenty) years commencing from the date on which the Class A CCPS are issued and allotted to allottee.	20 (twenty) years commencing from the date on which the Class B CCPS are issued and allotted to allottee.
Conversion	Class A CCPS may be converted into equity shares at any time after 4 years but before the end of the Term at the option of CCPS holder. CCPS shall be converted in accordance with the conversion ratio as defined below.	Class B CCPS may be converted into equity shares at any time after 4 years but before the end of the Term at the option of the CCPS holder. CCPS shall be converted in accordance with the conversion ratio as defined below.
Conversion ratio of the Proposed CCPS	<p>Class A CCPS shall be converted in such number of equity shares as calculated by conversion of the principal amount outstanding + such amount that gives holder a 16% IRR over the instrument as divided by fair market value of the equity shares on the date of conversion.</p> <p>Notwithstanding the above, conversion should be in accordance with FEMA Guidelines, i.e. the fair value of equity shares at the time of conversion should not in any case be lower than the fair value of equity shares worked out, at the time of issuance of Class A CCPS, in accordance with these rules.</p>	<p>Class B CCPS shall be converted in such number of equity shares as calculated by conversion of the principal amount outstanding + such amount that gives holder a 16% IRR over the instrument as divided by fair market value of the equity shares on the date of conversion.</p> <p>Notwithstanding the above, conversion should be in accordance with FEMA Guidelines, i.e. the fair value of equity shares at the time of conversion should not in any case be lower than the fair value of equity shares worked out, at the time of issuance of Class B CCPS, in accordance with these rules.</p>

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Terms	Class A CCPS	Class B CCPS
Settlement	If not converted earlier, at the end of the term, Class A CCPS shall be mandatorily converted into Equity shares in accordance with the conversion ratio as defined above.	If not converted earlier, at the end of the term, Class B CCPS shall be mandatorily converted into ordinary equity shares in accordance with the conversion ratio as defined above.
Dividend	Class A CCPS shall carry a 0.01% cumulative dividend	CCPS B CCPS shall carry a 0.01% cumulative dividend
Taxes	Company to withhold applicable taxes on dividend and dividend shall be paid net of applicable taxes.	Company to withhold applicable taxes on dividend and dividend shall be paid net of applicable taxes.
Rights	<p>Class A CCPS will get converted into Class A equity shares of AMMIPL.</p> <p>Class A Equity Shares of AMMIPL will not carry any voting rights and shall be entitled to receive dividend for each financial year at five percentage point more than the aggregate rate of dividend declared on ordinary equity shares of AMMIPL for that financial year.</p> <p>The holder should not exercise any influence over the management of the Company during the period the Class A CCPS remain outstanding, including to appoint directors to the board of directors of the Company.</p>	Class B CCPS will get converted into ordinary equity shares of AMMIPL which will be entitled to one vote for every share held.

*Source: Information provided by the Management*

## 6.5. Other Matters

6.5.1. AMMIPL enters into transactions with its associated entities in the normal course of business in respect of its activities/ operations, which are inter-alia subject to Indian transfer pricing regulations. The Management represented that such transactions are carried on an arm's length basis.

6.5.2. Management represented that there are no contingent liabilities in respect of AMMIPL as at the Valuation Date.

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6.5.3. The Management has represented that the operations of AMMIPL are carried out in the ordinary course between the Valuation Date and as at date and no material changes are expected in the position of the assets and liabilities between the above dates.

6.6. Valuation of ordinary equity shares of AMMIPL:

Considering the aforementioned, valuation of equity shares of AMMIPL as at the Valuation Date, is carried out adopting adjusted Net asset value as under:

Particulars as at	(In INR Mn) September 30, 2022
<b>Equity</b>	
Equity Share Capital	18.50
Other Equity	25,623.48
<b>Total Equity</b>	<b>25,641.98</b>
Less: Notional interest accrued on OSPIL ZCDs from the Investment date to the Valuation date	-2,038.61
Add: Appreciation considered in EPCC Assets (Refer Annexure 1)	59.11
<b>Adjusted Net worth (a)</b>	<b>23,662.48</b>
Number of Equity Shares	1.85
Number of equity shares on conversion of OSPIL CCPS #	790.00
<b>Total Number of Shares (on a fully diluted basis) (b) @</b>	<b>791.85</b>
<b>Fair Value per equity share (in INR) (a/b) - INR</b>	<b>29.9</b>
<b>Fair Value per equity share (in INR) (a/b)</b>	<b>INR 29.9 rounded to INR 30</b>

@ face value INR 10 each

# OSPIL CCPS are convertible at any time after 5 years but before the end of the Term. The Company shall convert each OSPIL CCPS into 1 (one) equity share of Rs 10 each. At the end of the term, if the holder has not exercised the option of conversion and the OSPIL CCPS have not been converted into equity shares, the CCPS shall be compulsorily converted into equity shares at the ratio of 1:1.

The matter relating to the ownership of Slurry Pipeline is sub-judice (For details, refer 2.4 above). Implications, if any, of the ultimate outcome of this matter on OSPIL/ AMMIPL is currently not ascertainable as the matter is sub-judice. Accordingly, our valuation is subject to this premise.

6.7. Valuation of Proposed CCPS

6.7.1. Valuation of Proposed Class A CCPS

6.7.1.1. As per the proposed terms for Proposed Class A CCPS:

- Proposed Class A CCPS shall be converted into Class A equity shares of AMMIPL;
- Class A equity shares of AMMIPL will not carry any voting rights;
- Class A equity shares shall be entitled to receive dividend for each financial year at 5% more than the aggregate rate of dividend declared on ordinary equity shares of AMMIPL for that financial year.

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6.7.1.2. Considering *inter-alia* the following and, in particular, reputation of the ArcelorMittal Group and Nippon Steel Corporation, underlying economic benefit, shareholding pattern, no material difference is expected between the value of Class A equity shares and ordinary equity shares of AMMIPL:

- AMMIPL is a part of joint venture between ArcelorMittal Group and Nippon Steel Corporation, which are highly reputed, well-managed business conglomerates with a strong track record for professional management, operational efficiencies, internal controls, and good corporate governance. Refer paragraph 1.1-1.5 for detailed shareholding structure. As on September 30, 2022, Arcelor SA has a market capitalization of USD ~17 billion and Nippon Steel Corporation has a market capitalization of JPY ~1.8 trillion. *Source: Capital IQ*
- Class A equity shareholders of AMMIPL are entitled to receive dividend for each financial year at 5% more than the aggregate rate of dividend declared on ordinary equity shares of AMMIPL for that financial year.
- As on the Valuation Date, ArcelorMittal S.A. and Nippon Steel Corporation are the holding companies of AMMIPL, AMIPL and AMNSI, and its economic interests in AMMIPL are not expected to be affected due to issue of non-voting equity shares.
- Based on the analysis of the stock prices in the matured markets, the discount on account of differential voting rights of equity shares is not significant.
- The Management does not expect any material dividend/ other distribution to the ordinary equity shareholders of AMMIPL during in short/medium term.

6.7.2. Valuation of Proposed Class B CCPS

6.7.2.1. As per the proposed terms for Proposed Class B CCPS:

- Proposed Class B CCPS shall have a term of 20 years and may be converted into equity shares at any time after 4 years but before the end of the Term at the option of CCPS holder. If not converted earlier, at the end of the term, CCPS shall be mandatorily converted into Class A equity shares in accordance with the conversion ratios as under.
- Conversion Ratio:
  - Proposed Class B CCPS shall be converted in such number of equity shares as calculated by conversion of the principal amount outstanding + such amount that gives holder a 16% IRR over the instrument as divided by fair market value of the equity shares on the date of conversion.
  - Notwithstanding the above, conversion should be in accordance with FEMA Guidelines, i.e. the fair value of equity shares at the time of conversion should not in any case be lower than the fair value of equity shares worked out, at the time of issuance of Proposed Class B CCPS, in accordance with FEMA Guidelines.

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- 6.7.2.2. Considering *inter-alia* the Conversion terms and FEMA Guidelines, we note that for both classes of CCPS:
- The conversion ratio shall vary depending on the fair value of the equity shares at the time of conversion and minimum conversion price as per FEMA Guidelines
  - Both classes of CCPS may incur a capital loss/ may earn a return of less than 16%, if the fair value of equity shares of AMMIPL at the time of conversion is lower as compared to its fair value at the time of issue of Proposed CCPS.
  - The maximum return on the instrument shall be capped at 16% IRR.
- 6.8. Considering the aforementioned, fair value of both classes of CCPS has been carried out adopting Monte Carlo Simulation Method. Based on the key valuation parameters depicted in annexure 2, We have run 10,000 iterations and discounted the payoffs using an appropriate discount rate to estimate Fair value.

## 7. Scope and Limitations

- 7.1. RBSA has been appointed to carry out an independent valuation of the Proposed CCPS of AMMIPL as on September 30, 2022, pursuant to IT Guidelines.
- 7.2. Valuation is carried out in accordance with the Valuation Standards issued by the Institute of Chartered Accountants of India (“ICAI Valuation Standards”). The bases of value adopted for the valuation of Company is fair value, which is defined as “The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.” Valuation of the Company is carried out on an ‘as is where is’, ‘going concern value’ premise.
- 7.3. Valuation 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 judgement. In the ultimate analysis, our valuation will have to be tempered by the exercise of judicious discretion and judgment taking into accounts all the relevant factors. There is, therefore, no indisputable single value. While we have provided our opinion on valuation based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.
- 7.4. Our valuation is based on the market, financial and other information provided by the Management and other information that was publicly available or sourced from subscribed databases, which has been relied upon by us. In accordance with the terms of our engagement, we have carried out relevant analyses and evaluations through discussions, calculations and such other means, as appropriate. In accordance with the terms of our engagement letter and in accordance with the customary approach adopted in valuation exercises, 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. 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

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possible, from sources generally considered to be reliable. We assume no responsibility for such information. The Management had indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/ conclusion. Accordingly, we assume no responsibility for any errors in the information provided by the Management or obtained from public domain/ subscribed databases and their impact on the Report.

- 7.5. The value achieved, in case of a transaction, may be different than our Valuation depending upon the circumstances and timing of the transaction, if any. The knowledge, negotiability and motivations of the buyers and sellers will also affect actual price achieved. Accordingly, our Valuation will not necessarily be the price at which any agreement proceeds.
- 7.6. For the purpose of this engagement and report, we have made no investigation of, and assume no responsibility for the title to assets or liabilities against the Company. Our conclusion of value assumes that the title to the assets and liabilities of the Company reflected in the financial statements as on September 30, 2022 is intact as at the date of this report. The matter relating to the ownership of Slurry Pipeline is sub-judice (For details, refer 2.4 above). Implications, if any, of the ultimate outcome of this matter on OSPIL/ AMMIPL is currently not ascertainable as the matter is sub-judice. Accordingly, our valuation is subject to this premise.
- 7.7. This Report is subject to the scope, assumption, exclusion, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. The report has been issued only for the purpose stated herein.
- 7.8. Our report can be used by the Client only for the purpose, as indicated in this report, 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. A copy of our Report may be provided to Indian income tax authorities (“Permitted Recipients”) in connection with the Proposed Transaction. We are not responsible to any other person / party (including, Permitted Recipients) for any decision of such person / party based on this report. Any person / party intending to provide finance / invest / divest in the shares / business of the Company / their holding companies /other 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 RBSA. 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.
- 7.9. Valuation analysis and results are specific to the date of this Report. 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 Client have drawn our attention to all the matters, which they are aware of concerning the

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financial position of the Company and any other matter, which may have an impact on our opinion, on the valuation analysis for the Proposed Transaction as on the Valuation Date. We have considered only circumstances existing at the Report Date and events occurring up to the Report Date. We have taken into account, in our valuation analysis, such events and circumstances occurring after the Valuation Date as disclosed to us by the Client, to the extent considered appropriate by us based on our professional judgment. Further, we have no responsibility to update the Report for any events and circumstances occurring after the date of the Report.

- 7.10. The Report assumes that the Company and OSPIL complies/ has complied fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated and will be 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 the audited/unaudited balance sheet of the Company. Our conclusion of value assumes that the assets and liabilities of the Company and OSPIL reflected in its latest balance sheet remain intact as of the Report date. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts.
- 7.11. Valuation is based on business, economic, market and other conditions as they existed as of the date of this report. Subsequent events or circumstances that could affect the conclusions set forth in our valuation include, without limitation, adverse changes in industry performance or market conditions and changes to the business, financial condition and results of operations of the Company. RBSA is under no obligation to update, revise or reaffirm the valuation.
- 7.12. RBSA owes responsibility to only the Board of Directors of the Client that appointed us 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, omissions of or advice given by any other third party to the Client. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Client, OSPIL, their directors, employees or agents. In no circumstances shall the liability of RBSA, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report will exceed the amount paid to RBSA in respect of the fees charged by it for these services.
- 7.13. The Client has been provided with the opportunity to review the draft report for this engagement to make sure the factual inaccuracies / omissions are avoided in the final report. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We reserve the right to alter our conclusions should any information that we

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are not aware of at the time of preparing this Report comes to light that has a material impact on the conclusions herein.

- 7.14. The outbreak of the COVID-19, declared by the World Health Organization as a “Global Pandemic” on March 11, 2020, has adversely affected the Global and Indian economy. Travel and other restrictions implemented by many countries has affected the economic activities. Governments have announced various measures to combat COVID 19 pandemic and to support the economic and business activities. The outbreak of COVID 19 Pandemic has led to significantly higher uncertainties in the near to medium term and its impact is evolving. Considering the unprecedented set of circumstances, valuation is reported on the basis of ‘material valuation uncertainty’ and accordingly, less certainty and a higher degree of caution should be attached to the estimated valuation of equity shares than would normally be the case. It may be noted that the estimated value of the Proposed CCPS may change significantly and unexpectedly over a relatively short period of time based on the evolving conditions/ uncertainties on account of COVID 19 pandemic.
- 7.15. We have no present or planned future interest in the Company and the fee for this Report is not contingent upon the values reported herein.
- 7.16. We reserve the right to alter our conclusions should any information that we are not aware of at the time of preparing this Report comes to light that has a material impact on the conclusions herein.

## 8. Deliverables

- 8.1. This 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 Board of Directors of the Company in connection with the purpose stated herein and should not be relied upon for any other purpose or by any other person. Without limiting the foregoing, we understand that the Company may be required to submit this Report to or share this Report with Indian income tax authorities (“Permitted Recipients”). RBSA accepts no responsibility or liability to any other party (including Permitted Recipients), in connection with this Report. It is clarified that reference to this Report in any document and / or filing or possession of this report by any party, shall not be deemed to be an acceptance by RBSA of any responsibility or liability to any person / party other than the Company. RBSA accepts no duty, obligation, liability or responsibility to any party, other than AMMIPL with respect to the services and/ or this report.
- 8.2. In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of Client, their group companies, directors, shareholders, employees or agents. In no circumstances shall the liability of RBSA, its partners, directors or employees, relating to services provided in connection with the engagement set out in

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this letter (or variation or addition thereto) exceed the amount paid to us in respect of the fees charged for those services.

## 9. Conclusion

- 9.1. Based on the review and analysis of the data / information provided by the Management, key terms of the Proposed CCPS as well as analysis of industry and macroeconomic trends as of September 30, 2022, the fair value per Proposed Class A CCPS and Proposed Class B CCPS of AM Mining India Private Limited has been estimated to be INR 30 (Indian Rupees Thirty only) and INR 30 (Indian Rupees Thirty only) respectively.
- 9.2. The matter relating to the ownership of Slurry Pipeline is sub-judice (For details, refer 2.4 above). Implications, if any, of the ultimate outcome of this matter on OSPIL/ AMMIPL is currently not ascertainable as the matter is sub-judice. Accordingly, our valuation is subject to this premise.

We thank you for the cooperation extended to us during the course of this engagement.

### For RBSA Capital Advisors LLP

SEBI Registered Merchant Banker

Registration No.: INM000011724

**Ravishu Vinod Shah**

Place: Mumbai

# RBSA Capital Advisors LLP

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## Annexure 1: Computation of Appreciation in EPCC Assets

### A) Fair value computation based on income approach:

(in INR Mn)

No. of months	6	12	12	12	12	12	12	12	12	12	12
Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
Revenue - Factory Building	11	22	23	25	26	27	29	30	31	33	35
Revenue - Port facility	23	49	52	54	57	60	63	66	69	73	76
Revenue - Plant & Machinery	40	84	88	93	97						
<b>Total - Revenue</b>	<b>74</b>	<b>156</b>	<b>164</b>	<b>172</b>	<b>180</b>	<b>87</b>	<b>91</b>	<b>96</b>	<b>101</b>	<b>106</b>	<b>111</b>
Less: Dep - Factory Building	-2	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5
Less: Dep - Port facility	-9	-17	-17	-17	-17	-17	-17	-17	-17	-17	-17
Less: Dep - Plant & Machinery	-7	-14	-14	-14	-14						
<b>Total - Depreciation</b>	<b>-18</b>	<b>-36</b>	<b>-36</b>	<b>-36</b>	<b>-36</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>
Add: Salvage value						105					
<b>EBIT</b>	<b>56</b>	<b>119</b>	<b>127</b>	<b>135</b>	<b>144</b>	<b>170</b>	<b>69</b>	<b>74</b>	<b>79</b>	<b>84</b>	<b>89</b>
Less: Tax	-14	-30	-32	-34	-36	-43	-17	-19	-20	-21	-22
<b>EBIT*(1-t)</b>	<b>42</b>	<b>89</b>	<b>95</b>	<b>101</b>	<b>108</b>	<b>127</b>	<b>52</b>	<b>55</b>	<b>59</b>	<b>63</b>	<b>66</b>
<b>Cashflows</b>	<b>42</b>	<b>89</b>	<b>95</b>	<b>101</b>	<b>108</b>	<b>127</b>	<b>52</b>	<b>55</b>	<b>59</b>	<b>63</b>	<b>66</b>
Time to midpoint	0.3	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0
PV factor @ 10.5%	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.4
<b>PV of cashflows</b>	<b>41</b>	<b>81</b>	<b>78</b>	<b>75</b>	<b>72</b>	<b>77</b>	<b>28</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>24</b>

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(in INR Mn)

No. of months	12	12	12	12	12	12	12	12	12	12
Particulars	FY 34	FY 35	FY 36	FY 37	FY 38	FY 39	FY 40	FY 41	FY 42	FY 43
Revenue - Factory Building	36	38	40	42	44	46	49			
Revenue - Port facility	80	84	88	93	98	102	108	113	119	125
Revenue - Plant & Machinery										
<b>Total - Revenue</b>	<b>117</b>	<b>122</b>	<b>129</b>	<b>135</b>	<b>142</b>	<b>149</b>	<b>156</b>	<b>113</b>	<b>119</b>	<b>125</b>
Less: Dep - Factory Building	-5	-5	-5	-5	-5	-5	-5			
Less: Dep - Port facility	-17	-17	-17	-17	-17	-17	-17	-17	-17	-17
Less: Dep - Plant & Machinery										
<b>Total - Depreciation</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-17</b>	<b>-17</b>	<b>-17</b>
Add: Salvage value								8		
<b>EBIT</b>	<b>94</b>	<b>100</b>	<b>106</b>	<b>113</b>	<b>120</b>	<b>127</b>	<b>134</b>	<b>104</b>	<b>101</b>	<b>107</b>
Less: Tax	-24	-25	-27	-28	-30	-32	-34	-26	-25	-27
<b>EBIT*(1-t)</b>	<b>71</b>	<b>75</b>	<b>80</b>	<b>84</b>	<b>89</b>	<b>95</b>	<b>100</b>	<b>78</b>	<b>76</b>	<b>80</b>
<b>Cashflows</b>	<b>71</b>	<b>75</b>	<b>80</b>	<b>84</b>	<b>89</b>	<b>95</b>	<b>100</b>	<b>78</b>	<b>76</b>	<b>80</b>
Time to midpoint	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0
PV factor @ 10.5%	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1
<b>PV of cashflows</b>	<b>24</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>20</b>	<b>19</b>	<b>18</b>	<b>13</b>	<b>11</b>	<b>11</b>
Fair Value as on 30 sept 2022	<b>737.73</b>									

(In INR Mn)

FV of EPCC Assets leased to AMNSI as on 30 Sept 22	<b>737.73</b>
<b>Add: Book value as on the Valuation Date</b>	
QA/QC building	12.43
Stores and spares & WIP	57.36
Plant & Machinery - Not leased to AMNSI	4.90
<b>Total FV based on income approach as on 30 Sep 22</b>	<b>812.42</b>

## B) Fair value computation based on asset approach:

(In INR Mn)

Particulars	Amount
Book value of EPCC Assets as on 31 March 2022 (Purchase price paid for acquisition in Feb 2022)	712.40
Less: Depreciation for 5 months ending 30 Sept 2022	-18.21
<b>Fair value based on asset approach as on 30 Sep 2022</b>	<b>694.19</b>

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## Weighted Average Fair value of EPCC assets as on 30 September 2022

(In INR Mn)

Particulars	Amount	Weights	Weighted fair value
Fair value based on income approach	812.42	50%	406.21
Fair value based on asset approach	694.19	50%	347.10
<b>Weighted average fair value of EPCC Assets as on 30 Sept 22</b>			<b>753.31</b>

(In INR Mn)

Particulars	Amount
Weighted average fair value of EPCC Assets as on 30 Sept 2022	753.31
Book value of EPCC Assets as on 30 Sept 2022	-694.19
<b>Appreciation considered in EPCC Assets as on 30 Sept 2022</b>	<b>59.11</b>

Appreciation considered in EPCC Assets as on September 30, 2022 – INR 59.11 Mn

## Annexure 2: Key parameters for Monte Carlo Simulation method:

Particulars	Key Parameter
No of Iterations	10,000
Current Market Price of equity shares (INR per share) Refer paragraph 6.6 for detailed workings	INR 30
Period	4 years
IRR	16%
Risk free rate	7.15%
Annualized Volatility	45.3%