

**RECOMMENDATION OF SHARE ENTITLEMENT RATIO**

Composite Scheme of Arrangement comprising of (i) demerger of the infrastructure business of Jindal Saw Limited undertaken inter alia through its subsidiaries into JITF Infralogistics Limited; (ii) Amalgamation of JITF Shipyards Limited into JITF Waterways Limited; and (iii) demerger of the ocean waterways transportation business of JITF Waterways Limited undertaken inter alia through its subsidiaries into Jindal Saw Limited

Date: November 10, 2015

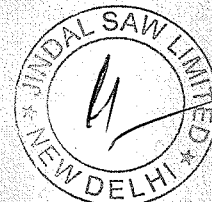
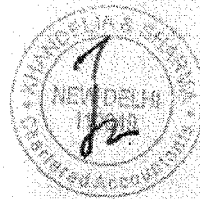
Prepared by

**Khandelia & Sharma, Chartered Accountants (KS-CA)**

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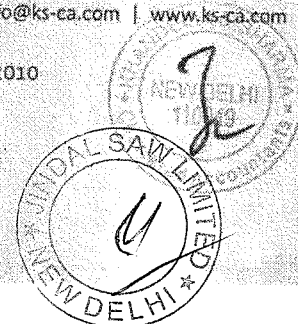


**Companies involved in the Scheme of Arrangement**

- (a) Jindal Saw Limited (hereinafter referred to as the "Demerged Company 1" / "Resulting Company 2"), is a company incorporated under the Companies Act, 1956 having its registered office at A-1 UPSIDC Industrial Area, Nandgaon Road, Kosi Kalan District, Mathura, Uttar Pradesh - 281403. The Demerged Company 1 has diverse business interests in the manufacturing of steel pipe and steel pellets and infrastructure businesses
- (b) JITF Infralogistics Limited (hereinafter referred to as the "Resulting Company 1"), is a company incorporated under the Companies Act, 1956 having its registered office at A-1 UPSIDC Industrial Area, Nandgaon Road, Kosi Kalan District, Mathura, Uttar Pradesh - 281403. The Resulting Company 1 is a wholly owned subsidiary of the Demerged Company 1 and has been incorporated for logistics business.
- (c) JITF Shipyards Limited (hereinafter referred to as the "Transferor Company"), is a company incorporated under the Companies Act, 1956 having its registered office at A-1 UPSIDC Industrial Area, Nandgaon Road, Kosi Kalan District, Mathura, Uttar Pradesh - 281403. The Transferor Company is a wholly owned subsidiary of Demerged Company 1.
- (d) JITF Waterways Limited (hereinafter referred to as the "Transferee Company" / "Demerged Company 2"), is a company incorporated under the Companies Act, 1956 having its registered office at A-1 UPSIDC Industrial Area, Nandgaon Road, Kosi Kalan District, Mathura, Uttar Pradesh- 281403. The Transferee Company has diverse business interests in the ocean waterways transportation businesses and is a wholly owned subsidiary of the Transferor Company.

**Section I - Purpose**

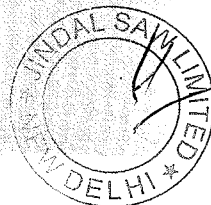
We understand that management of the Demerged Company 1 intends to demerge its Demerged Undertaking 1 (as defined hereinafter), and vest the same with the Resulting Company 1, reduce the issued and paid-up equity share capital and securities premium account of the Resulting Company 1 and reduce the capital redemption reserve, capital reserve and the securities premium account, of the Demerged Company 1, with effect from the Demerger Appointed Date 1 (as defined hereinafter) pursuant to and under Sections 391 to 394 read with section 100 - 103 of the 1956 Act and/or other relevant provisions of the Act and the rules and regulations framed thereunder and list the equity shares of Resulting Company 1 on the Stock Exchanges. With a view to achieving greater management focus on its business interests in the



manufacturing of steel pipes and steel pellets, the management of the Demerged Company 1 proposes to demerge its business interests in the infrastructure sector comprising of the Demerged Undertaking 1, and vest the same with the Resulting Company 1 (a wholly owned subsidiary of Demerged Company 1). The definition of Demerged Undertaking 1 is as provided under the Scheme and reproduced hereunder:

“Demerged Undertaking 1” means the undertaking of the Demerged Company 1, pertaining to the Demerged Business 1, which shall be inclusive of, but not limited to:

- (i) all assets, whether moveable or immovable including all rights, title, interest, claims, covenants, undertakings of the Demerged Company 1 pertaining to the Demerged Business 1;
- (ii) all investments, receivables, loans and advances extended (including CENVAT credit or other tax assets), including accrued interest thereon of the Demerged Company 1 pertaining to the Demerged Business 1, including without limitation, the investments and loans and advances extended,;
- (iii) all debts, borrowings and liabilities, whether present or future, whether secured or unsecured availed by the Demerged Company 1 pertaining to the Demerged Business 1;
- (iv) all permits, rights, entitlements, licenses, approvals, grants, allotments, recommendations, clearances, tenancies, offices, taxes, tax deferrals and benefits, subsidies, concessions, refund of any tax, duty, cess or of any excess payment, 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, minimum alternate tax credit etc.) of every kind and description whatsoever of the Demerged Company 1 pertaining to the Demerged Business 1;
- (v) all trademarks, service marks, patents and other intellectual property rights of every kind and description whatsoever of the Demerged Company 1 pertaining to the Demerged Business 1;
- (vi) all 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 Demerged Company 1 pertaining to the Demerged Business 1;



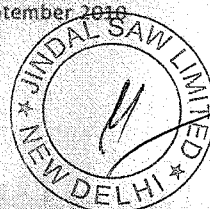
- (vii) all employees of the Demerged Company 1 employed in relation to the Demerged Business 1;
- (viii) all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or other entitlements of the Demerged Company 1 pertaining to the Demerged Business 1;
- (ix) all legal, tax, regulatory, quasi-judicial, administrative or other proceedings, suits, appeals, applications or proceedings of whatsoever nature initiated by or against the Demerged Company 1 in connection with the Demerged Business 1; and
- (x) all books, records, files, papers, computer programs, engineering and process information, manuals, data, production methodologies, production plans, catalogues, quotations, websites, 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 Demerged Company 1 and pertaining to the Demerged Business 1.

#### Section II - Purpose

On a long term basis, management of Transferee Company wishes to focus on inland waterways transportation business. Therefore, it is proposed to amalgamate Transferor Company into Transferee Company. Amalgamation of the Transferor Company comprising of its business interests *inter alia* in inland waterways transportation business with the Transferee Company would therefore be in the best interests of the shareholders, creditors and employees of the Transferor Company and the Transferee Company.

#### Section III - Purpose

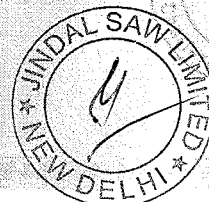
It is proposed, *inter alia*, to demerge the Demerged Undertaking 2 (as defined hereinafter) of the Demerged Company 2, and vest the same with the Resulting Company 2, reduce the capital redemption reserve (if required), capital reserve (if required) and the securities premium account (if required) of the Resulting Company 2, reduce the capital reserve (if required) and the securities premium account (if required) of the Demerged Company 2, with effect from the Demerger Appointed Date 2 (as defined hereinafter) pursuant to and under Sections 391 to 394 read with Section 100 – 103 of the 1956 Act and/or other relevant provisions of the Act and the



rules and regulations framed thereunder. The definitions of Demerged Undertaking 2 is as provided under the Scheme and reproduced hereunder:

“Demerged Undertaking 2” means the undertaking of the Demerged Company 2, pertaining to the Demerged Business 2, which shall be inclusive of, but not limited to:

- (i) all assets, whether moveable or immovable including all rights, title, interest, claims, covenants, undertakings of the Demerged Company 2 pertaining to the Demerged Business 2, including without limitation, the fixed assets listed in Schedule 3 hereto;
- (ii) all investments, receivables, loans and advances extended (including CENVAT credit or other tax assets), including accrued interest thereon of the Demerged Company 2 pertaining to the Demerged Business 2;
- (iii) all debts, borrowings and liabilities, whether present or future, whether secured or unsecured availed by the Demerged Company 2 pertaining to the Demerged Business 2;
- (iv) all permits, rights, entitlements, licenses, approvals, grants, allotments, recommendations, clearances, tenancies, offices, taxes, tax deferrals and benefits, subsidies, concessions, refund of any tax, duty, cess or of any excess payment, tax credits (including, but not limited to, credits in respect of income tax (including carry forward tax business losses and unabsorbed depreciation), tax deducted at source, sales tax, value added tax, turnover tax, excise duty, service tax, minimum alternate tax credit etc.) of every kind and description whatsoever of the Demerged Company 2 pertaining to the Demerged Business 2;
- (v) all trademarks, service marks, patents and other intellectual property rights of every kind and description whatsoever of the Demerged Company 2 pertaining to the Demerged Business 2;
- (vi) all 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 Demerged Company 2 pertaining to the Demerged Business 2;
- (vii) all employees of the Demerged Company 2 employed in relation to the Demerged Business 2;



- (viii) all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or other entitlements of the Demerged Company 2 pertaining to the Demerged Business 2;
- (ix) all legal, tax, regulatory, quasi judicial, administrative or other proceedings, suits, appeals, applications or proceedings of whatsoever nature initiated by or against the Demerged Company 2 in connection with the Demerged Business 2; and
- (x) all books, records, files, papers, computer programs, engineering and process information, manuals, data, production methodologies, production plans, catalogues, quotations, websites, 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 Demerged Company 2 and pertaining to the Demerged Business 2.

In this regard, the management of the companies has appointed Khandelia & Sharma, Chartered Accountants ('KS-CA' or 'us') to determine the share entitlement ratio for the proposed demerger.

#### Source of Information and representations

- For the purpose of arriving at a fair share entitlement ratio, we have relied on the following information and documents made available to us by the management of the companies. The management of the companies, assisted by their respective finance and accounts personnel, has furnished the required financial and other relevant information, explanations and data for this exercise.
  - Draft Scheme;
  - Estimated net worth certificates for the year/period ended 31st March, 2015 of Demerged Undertaking 1, Resulting Company 1, Transferor Company and Transferee Company.
  - Management representations, estimates and rationale in relation to the share entitlement; and
  - Discussion with the Management of the companies.

Our report is subject to the Limitations and Indemnifications as set out in Appendix A.



### Share entitlement ratio

#### Approach

Basis Information provided and discussion with management, we have used Net Asset Value method to derive share entitlement ratio for Part I of the Scheme. Further, for Part II of the Scheme, share entitlement ratio is calculated based on the ratio of number of shares issued by the Transferor Company and Transferee Company so that the number of shares issued by Transferee Company is equivalent to the existing number of equity shares of Transferee Company, post implementation of the said Part II.

#### Share entitlement ratio recommendation

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove and since all shareholders belong to the same group, in our opinion, the share entitlement / exchange ratio as stated below and as contemplated by the management is fair and equitable in the given circumstances:

#### Part I

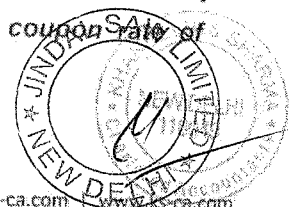
*"50 equity share of Rs. Two each as fully paid up in JITF Infralogistics Limited for every 622 equity share of Rs. Two each held in Jindal Saw Limited; and*

*50 Compulsorily Convertible Debentures having coupon rate of 0% of Rs. 81.10 (Eighty one and paise ten only) each as fully paid up in JITF Infralogistics Limited for every 622 Compulsorily Convertible Debentures having coupon rate of 0% of Rs. 81.10 (Eighty one and paise ten only) each held in Jindal Saw Limited."*

#### Part II

*"26.987 (Twenty Six and Nine Hundred Eighty Seven thousandths only) equity share of Rs. Ten each as fully paid up in JITF Waterways Limited for every 10 equity share of Rs. Ten each held in JITF Shipyards Limited; and*

*1 Compulsorily Convertible Debenture having coupon rate of 9.25% of face value Rs. Ten crores (Rs. 10,00,00,000) each as fully paid up in JITF Waterways Limited for every 1 Compulsorily Convertible Debenture having coupon rate of*



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9.25% of face value of Rs. Ten crores (Rs. 10,00,00,000) each held in Jindal Shipyards Limited."

## Part III

Since JITF Waterways Limited will become wholly owned subsidiary of Jindal Saw Limited, no shares are to be issued.

for Khandelia & Sharma  
Chartered Accountants

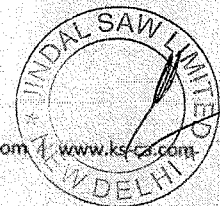


CA Arun Khandelia  
Partner

Membership No:089125  
ICAI FRN: 510525C

Place: New Delhi

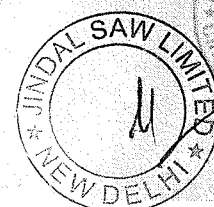
Date: November 10, 2015



APPENDIX A:

**Limitations of this report**

- While carrying out the valuation we have relied upon and considered the information and representations made available by the management.
- We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects and nothing has come to our attention to cause us to believe that the facts and data taken for the purpose are not correct. We are neither required, nor have we independently verified, or carried out a due diligence or detailed appraisal of the management's information, explanations and data submitted to us for the purpose of this valuation. We have reviewed these information and data for broad consistency.
- In the course of our analysis, we have received provisional financial and other information from the management. While we have no reason to doubt their reasonableness / accuracy, we can provide no assurance that the provisional will be realized. Our work was limited by the quality and degree of data that was supplied to us. There could be material differences between the management estimates used in the provisional financial and actual data results due to future economic and other uncertainties, many of which are outside management control. We have relied upon all documents, records and information provided by the management and considered them in the preparation of this report.
- It has been confirmed to us that there are no events and / or demands, decisions – legal or otherwise against the company, which are likely to affect materially the state of the balances of accounts as on the valuation date and/or the future profits of the Companies.
- This report has been prepared on the understanding that the management has drawn our attention to all the matters concerning the company's financial position and other matters, which may have an impact on the company's future business.
- Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be



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understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.

- For the purpose of this assignment, we have not attempted a detailed due diligence review for various aspects i.e. commercial, operational, financial, legal, environmental, etc.
- We have not audited or carried out any detailed analysis of the profitability and cash flow projections as made available to us by the management.
- No investigation of the title of the assets and liens / encumbrances thereon has been made and owner's claim to the assets has been assumed to be valid.
- This report does not constitute an offer or invitation to any section of the public to subscribe for or to purchase any securities in or assets or liabilities of the above mentioned companies.
- While we have provided our recommendation of exchange ratio based on information available to us and within the scope of our limitations solely for the purpose of assisting the Board of Directors of the aforementioned companies in determining the Share Exchange ratio for the purpose of proposed restructuring and should not be used for any other purpose. The decision to agree upon the final share exchange ratio lies solely with the Board of Directors of the respective companies.
- This report is confidential for use of the persons to whom it is issued and may be produced before the shareholders, lenders of the respective companies, Registrar of Companies, High Courts where the scheme will be placed and any other government authorities and other statutory bodies in connection with the purpose outlined above. It must not be copied, disclosed, circulated or quoted without our prior consent.

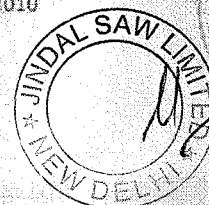
## Indemnification

- It has been agreed that in the particular circumstances of the case, liability of KS-CA, its partners, employees, affiliates and agents (in contract or tort or under statute or otherwise) for any economic loss or damage suffered by the client or any other party

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Peer Review Certificate No: 004944 dated 21st September 2010



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arising out of or in connection with this report, however the loss or damage is caused, including our negligence but not our willful default, shall not arise and Companies will indemnify and hold harmless KS-CA and its partners, employees, affiliates and agents as concerns any such liability. In the event KS-CA is requested pursuant to legal process to produce its documents relating to this engagement for the Client in judicial or administrative proceedings or otherwise to which KS-CA is not party, the Client will reimburse us at standard billing rates for professional time and expenses, including reasonable attorney's fees, incurred in responding to such request.

- This report shall not create or give rise to, nor shall it be intended to create or give rise to any third party rights. No third party shall have any right to enforce or rely on any provision of this report, which does or may confer any right or benefit on any third party directly or indirectly, expressly or impliedly. The application of any legislation giving to or conferring on third parties contractual or other rights in connection with this report shall be excluded.

