

CONFIDENTIAL

Date: 26 June, 2021

To
The Board of Directors,
Welspun Corp Limited
Welspun City,
Versamedi, Anjar,
Gujarat – 370110

I. Engagement Background

We understand that the Board of Directors of Welspun Corp Limited (“WCL” or “Company” or “Resulting Company”) is considering the demerger of undertaking, business, activities and operations of Welspun Steel Limited (“WSL” or “Demerged Company”) pertaining to steel, specialty steel and thermo mechanical treatment bars manufacturing business carried on directly or indirectly by WSL, or through its subsidiaries and related investments (“Demerged Undertaking” or “Steel Undertaking”) into WCL through a Scheme of Arrangement (“Scheme”) under the applicable provisions of Companies Act, 2013.

Part B of the Scheme envisages the demerger of the Demerged Undertaking of WSL into WCL in a manner, as set forth in the draft Scheme shared with us on June 26, 2021, the final version of which will be filled by the aforementioned companies with the appropriate authorities.

We understand that upon the Scheme becoming effective and in consideration for the demerger of the Demerged Undertaking of WSL into WCL in terms of the Scheme, WCL shall, subject to regulatory approval, if any, issue and allot 81 (Eighty one) Cumulative Redeemable Preference Shares (“CRPS”) of WCL of Rs.10 (Rupees Ten) each fully paid-up, for every 100 (One hundred) equity shares of WSL of the face value of Rs. 10 (Rupees 10) fully paid up held by the equity shareholders of WSL (hereinafter referred to as the “Share Entitlement Ratio”)

We further understand that the Share Entitlement Ratio for the proposed transaction has been arrived at based on the Valuation reports dated June 26, 2021 and June 26, 2021 (“Valuation Reports”) prepared by RBSA Valuation Advisors LLP and Bansil S. Mehta & Co respectively (the “Valuers”), who have been appointed for this exercise by WCL and WSL jointly.

In connection with the demerger of the Demerged Undertaking of WSL with WCL, you requested our Fairness Opinion (the “Opinion”) as of the date hereof, as to the fairness of the Share Entitlement Ratio, as proposed by the Valuers, from a financial point of view, to the equity shareholders of the Company.

II. Background of the Scheme

A brief history of each of the aforesaid companies is as under –

- WCL is a public limited company, incorporated on 26 April 1995, under the provisions of the Companies Act, 1956, has its registered office situated at Welspun City, Village Versamedi, Taluka Anjar, Dist. Kutch, Gujarat - 370110 and is *inter alia* engaged in the business of



manufacturing of steel pipes of various dimensions & thickness, coated & uncoated having application in water, oil & gas and other liquid transportation pipelines. The equity shares of the Resulting Company are listed on the National Stock Exchange of India Limited and the BSE Limited, Mumbai.

- **WSL** is a public limited company, incorporated on 3 June 2004 under the provisions of the Companies Act, 1956, has its registered office situated at S N 650 Village Varsamedi, Taluka Anjar, District- Kutch, Gujarat- 370110 and is inter alia engaged in the business of manufacturing and sale of sponge iron, steam, other by-products and trading of TMT and rail tracks sleepers
- **“Demerged Undertaking”** shall mean undertaking, business, activities and operations pertaining to steel, specialty steel and thermo mechanical treatment bars manufacturing business carried on by WSL directly or indirectly through its subsidiaries (which includes Welspun Specialty Solutions Limited, Anjar TMT Steel Private Limited etc); investments related to said businesses; and comprising of all the assets (moveable, incorporeal and immoveable) and liabilities which relate thereto, or are necessary therefore

Part B of the Scheme provides for:

Demerger of Demerged Undertaking of WSL into WCL

- Upon the Scheme becoming effective and upon the demerger of the Demerged Undertaking of the Demerged Company with the Resulting Company in terms of this Scheme, the Resulting Company shall, subject to regulatory approval, if any, issue and allot shares to the eligible shareholders of the Demerged Company (**“Consideration”**)
- Shareholders of WSL as on the record date shall be entitled to the Consideration issued by WCL
- The Consideration to the equity shareholders of WSL shall be discharged in the form of Cumulative Redeemable Preference Shares (**“CRPS”**) of WCL, proportionate to their holding in WSL
- Terms and Conditions of Cumulative Redeemable Preference Shares will be as follows:
 - Issuer: Welspun Corp Limited
 - Instrument: Cumulative Redeemable Preference Shares which shall be unlisted
 - Face value: Rs. 10
 - Coupon Rate: 6% p.a.
 - Redemption: Redeemable, at face value, at the option of the holder upon the expiry of 18 months from the date of issue
- The shares issued and allotted by the Resulting Company in terms of this Scheme shall rank *pari-passu* in all respects with the same class of existing shares of the Resulting Company
- The Appointed Date for the proposed Scheme shall be April 1, 2021

The rationale of the Scheme as shared with us by the Company’s management is based on inter-alia the following benefits:

- The consolidation will result in stronger revenue and improved competitiveness, with diversification in product portfolio thereby reducing business risks for mutual benefit of the shareholders. This will result in strong presence across market segments, provide access to new



markets and product offerings. Further, the operations of the Demerged Undertaking could have access to the Resulting Company's marketing capabilities.

- Greater economies of scale and will provide a larger and stronger base for potential future growth;
- Consolidation and simplification of the group structure;
- reduction in overheads, administrative, managerial and other expenditure;
- operational rationalization and increase in operating efficiency; and
- synergistic benefits, expansion and acquisition opportunities

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of "fairness", from a financial point of view, for purposes of this Opinion.

III. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by WCL and WSL including the Valuation Reports prepared by the Valuers and the draft Scheme.

In connection with this Opinion, we have:

- reviewed the draft Scheme
- reviewed the Valuation Reports prepared by the Valuers;
- reviewed certain historical business and financial information relating to each of the relevant entities, as provided by the Company, and sought certain clarifications with respect to the same;
- held discussions with the Valuers, in relation to the approach taken to valuation and the details of the various methodologies utilized by them in preparing the Valuation Reports and recommendations;
- sought various clarifications from the respective senior management teams of the relevant companies;
- reviewed certain publicly available information with respect to certain other companies in the same line of business and which we believe to be generally relevant in the context of the businesses of WSL and its operating subsidiaries; and
- performed such other financial analysis and considered such other information and factors as we deemed appropriate

We have relied upon the accuracy and completeness of all information, documents, data and explanations provided to us, without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have relied upon assurances of the management of WCL and WSL that they are not aware of any facts or circumstances that would make such information or data incomplete, inaccurate or misleading in any material respect. The respective management of WCL and WSL as well as the Valuers have indicated to us that it is understood that any omissions, inaccuracies or misstatements may materially affect our Opinion. Accordingly, we assume no responsibility for any errors in the above information furnished, to us, by WCL/WSL/Valuers and their impact on the present exercise.

We have assumed the genuineness of all the signatures, the authenticity of all documents submitted to us as originals, and the conformity with their originals of all documents submitted to us as copies thereof, and that each of the copies of the documents supplied to us or photocopies or facsimiles

thereof are true, complete and accurate and we have found nothing to indicate that such assumption are not fully justified.

With respect to WCL and WSL and/ or their subsidiaries:

- ✓ We have not conducted any independent valuation or appraisal of any of the assets or liabilities
- ✓ We do not express any opinion as to the value of any asset whether at current prices or in the future.

We express no opinion on the achievability of the forecasts, if any, given to us. The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both - the most likely set of future business events and circumstances and the management's course of action related to them. It may occur that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

We express no view as to, and our Opinion does not address, the underlying business decision of WCL and/or WSL to effect the proposed Scheme or the merits of the proposed Scheme. Our Opinion does not constitute a recommendation to any shareholder or creditor of WCL and/or WSL and its subsidiaries as to how such shareholder or creditor should vote on the proposed Scheme or any matter related thereto. In addition, this Opinion does not in any manner address the price at which the Company's equity shares will trade following consummation of the Scheme.

In rendering our Opinion, we have assumed, that the Scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on WCL and WSL and/ or their subsidiaries and/or their respective shareholders. We have further assumed that the transaction would be carried out in compliance with applicable laws, rules and regulations.

Our Opinion does not factor overall economic environment risk, material adverse change and other risks and is purely based on the information and representations provided to us. Our Opinion does not address matters such as corporate governance or shareholder rights. We have assumed that the Part B of Scheme is legally enforceable.

No consideration has been given to any liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Accordingly, no due diligence into any right, title or interest in property or assets was undertaken and no responsibility is assumed in this respect or in relation to legal validity of any such claims.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on WCL and WSL and/ or their subsidiaries and/or their respective shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that WSL and WCL have obtained such advice as it deemed necessary from qualified professionals.

We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the demerger of the Demerged Undertaking of WSL into WCL as contemplated in Part B of the Scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

We or our affiliates or group companies may have in the past provided, and may currently or in the future provide, investment banking, broking, research or banking services to WCL and WSL and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme, for which services we may have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of DAM Capital Advisors Limited ("**DAM Capital**") may actively trade securities of WCL and/or WSL and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of WCL in connection with its consideration of the Scheme and for none other. Neither DAM Capital, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

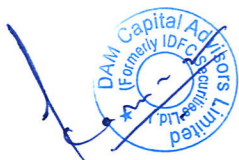
We do not accept any liability to any third party in relation to the issue of this Opinion, and our Opinion is conditional upon an express indemnity from WCL in our favor holding us harmless from and against any cost, damage, expense and other consequence in connection with the provision of this Opinion.

The company has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure any factual inaccuracy/ omissions are avoided in our final Opinion.

This Opinion is subject to the laws of India.

Neither the Opinion nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than for submission to NCLT, Courts, Stock Exchanges, other regulatory authorities and inspection by shareholders in connection with the proposed Scheme, without our prior written consent.

This Opinion is limited to the matters stated herein and is not to be read as extending to any other matters not so referred to. We express no views or opinion as to any terms or other aspects of the Scheme (other than the Share Entitlement Ratio for the proposed demerger) including without limitation, the discharge of Consideration or the form or structure of the Scheme. We were not requested to, and we did not, participate in the negotiation of the Scheme. We express no opinion or view with respect to the financial implications of the Scheme for any stakeholder, including creditors of respective companies.



IV. VALUER'S RECOMMENDATION

As per the Valuation Reports of Valuers, it is quoted

"On the basis of the foregoing and on consideration of all the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Fair Share Entitlement Ratio for the demerger of Steel Business Undertaking of WSL into WCL:

81 (Eighty one) fully paid up Cumulative Redeemable Preference Shares of face Value of INR 10 each of Welspun Corp Limited for every 100 (One hundred) fully paid-up Equity Shares of face Value INR 10 each held in Welspun Steel Limited"

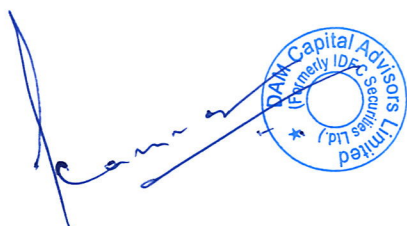
"Based on the foregoing, in my opinion the ratio of allotment of preference shares in WCL is: for every 1 equity share of Face Value Rs. 10 held in WSL 0.81, 6% Cumulative Redeemable Preference Share of Face Value of Rs.10 each in WCL"

Conclusion

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Entitlement Ratio proposed by the Valuers in their Valuation Reports is fair to the equity shareholders of WCL, from a financial point of view.

Yours truly,

For **DAM Capital Advisors Limited** (formerly IDFC Securities Limited)



Authorised Signatory

Name: Kamraj Singh Negi

Designation: Managing Director – M&A and ECM