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VALUATION | INVESTMENT BANKING | RESTRUCTURING | ADVISORY SERVICES
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Report Reference Number: RVA2122MTFAREP034

Date: June 26, 2021

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

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

Sub: Recommendation of Share Entitlement Ratio for the proposed demerger of the Demerged Undertaking of Welspun Steel Limited into Welspun Corp Limited

Dear Sirs,

We refer to our engagement letter dated June 17, 2021 whereby the Board of Directors of Welspun Corp Limited ("WCL") and Welspun Steel Limited ("WSL") appointed RBSA Valuation Advisors LLP ("RBSA"/ "Valuer") to recommend the Share Entitlement Ratio for the proposed demerger of the Demerged Undertaking of WSL (as defined below) on a 'going concern' premise into WCL, pursuant to a Scheme of Arrangement between WCL and WSL and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (the "Scheme").

The fair share entitlement ratio for the purpose of this Report refers to the number of fully paid-up Cumulative Redeemable Preference Shares of face value INR 10/- each ("CRPS") to be issued by WCL to the equity shareholders of WSL as a consideration for the proposed demerger of the Demerged Undertaking on a 'going concern' premise into WCL (the " Share Entitlement Ratio")

This report ("Report") is our deliverable to recommend the Share Entitlement Ratio for the proposed demerger of the Demerged Undertaking of WSL into WCL.

This Report is subject to the scope, assumptions, exclusions, limitations, and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

CONTEXT AND PURPOSE OF THIS REPORT

We understand that the management of WCL and WSL (together referred to as the "Management") are contemplating the demerger of the Demerged Undertaking of WSL on a 'going concern' basis into WCL, pursuant to the Scheme (the "Proposed Transaction").

As part of the Proposed Transaction, it is envisaged that:

- WSL shall demerge its Demerged Undertaking into WCL
- Appointed date for Scheme shall be April 1, 2021.
- As a consideration for the demerger, WCL shall issue 6% CRPS of INR 10 each (Redeemable, at face value, upon the expiry of 18 months from the date of the issue) to the shareholders of WSL.

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We understand from the Management that the Demerged Undertaking of WSL primarily include:

- Steel Business of WSL ("WSL Steel Business"); and
- WSL's equity stake in Welspun Specialty Solutions Limited ("WSSL"), Welspun Captive Power Generation Limited ("WCGPL") and Anjar TMT Steel Private Limited ("ATMT").

WSSL, WCGPL and ATMT are together referred to as the "WSL Investee Companies". WSL and WSL Investee Companies are together referred to as the Specified Companies.

In this context, the Board of Directors of WCL and WSL have jointly appointed RBSA to recommend the Share Entitlement Ratio for the proposed demerger of the Demerged Undertaking of WSL on a 'going concern' premise into WCL, pursuant to the Scheme.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management and/or obtained from the public domain:

i. Unaudited carved-out financials statement pertaining to WSL Steel Business for the year ended March 31, 2021;
ii. Audited/ unaudited financial statements of the WSSL and WCGPL for FY19, FY20 and FY21;
iii. Projected income and cash flow statements of the WSL Steel Business, WSSL and WCGPL, which the Management believe to be their best estimate of the expected performance of the respective business/ companies ("Management Projections");
iv. Draft Scheme of Arrangement between WSL and WCL and their respective shareholders;
v. Key Terms of the CRPS proposed to be issued by WCL as a consideration for the Proposed Transaction;
vi. Databases such as Capital IQ and Mergermarket;
vii. Discussions and correspondence with the Management;
viii. Other information and documents considered relevant for the purpose of this engagement;
ix. We have also obtained the explanations, information, and representations, which we believed were reasonably necessary and relevant for our exercise from the Management.

Management has informed us that DAM Capital Advisors LLP ("DCAL") has been appointed to provide fairness opinion on the recommended Share Entitlement Ratio for the Proposed Transaction. Further, at the request of the Management, we have had discussions with DCAL on the valuation approach adopted and key assumptions made by us.

PROCEDURES ADOPTED

Procedures adopted for our analysis included such substantive steps as we considered necessary under the circumstances, including, but not limited to the following:

- Discussion with the Management to inter-alia:
  - Understand the business and fundamental factors that affect the business of the Demerged Undertaking
  - Understand historical financial performance, current state of affairs and future financial performance of WSL and WSL Investee Companies
- Analysis of information shared by the Management including the following:
  - carved out historical income statement and statement of assets and liabilities of WSL Steel Business and financial statements of WSL Investee Companies;
  - Management Projections

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- Considered Draft Scheme of Arrangement between WSL and WCL;
- Considered the key terms of the CRPS proposed to be issued by WCL as a consideration for the Proposed Transaction
- Selection of appropriate valuation approach and methodology/(ies);
- Determination of the Share Entitlement Ratio for the proposed demerger of the Demerged Undertaking into WCL.

BACKGROUND OF THE SPECIFIED COMPANIES

Welspun Corp Limited

WCL is the flagship company of the Welspun Group. It is primarily engaged in the manufacture of HSAW, LSAW and ERW pipes, with total pipe capacity of ~1.655 million Tonnes per annum ("MTPA"), at four locations in India. WCL's wholly owned subsidiary in USA has manufacturing facility with an installed capacity of ~0.525 MTPA and its Joint Venture in Kingdom of Saudi Arabia has manufacturing facility with an installed capacity of ~0.375 MTPA.

The issued and subscribed equity share capital of WCL as on March 31, 2021 was INR 1,304.4 million consisting of 260,884,395 equity shares of face value of INR 5 each. The shareholding pattern of WCL as of March 31, 2021 is as under:

No.	Shareholder category	Percentage
1.	Promoter and Group	50.02%
2.	Public shareholders	49.98%
	Total	**100.00%**

Source: BSE filing

Equity shares of WCL are listed on BSE Limited and the National Stock Exchange of India Limited.

Welspun Steel Limited

WSL is primarily engaged in manufacturing of Sponge Iron, TMT Bars, and structural steel like billets/ingots ("WSL Steel Business"). It has two divisions, Sponge Iron / DRI having a capacity of ~144,000 TPA and Billets / SMS Division having a capacity of ~288,000 TPA. The manufacturing facility is located at Anjar, Gujarat. WSL also holds equity stake in WSSL, WCGPL and ATMT.

The issued and subscribed equity share capital of WSL as at date is INR 4,478.1 million consisting of 447,813,359 equity shares of face value of INR 10 each. Equity shares of WSL are not listed on any stock exchanges.

Welspun Specialty Solutions Limited

WSSL is part of Welspun Group. It operates an electric arc furnace-based steel melting shop, a rolling mill and a seamless pipe facility in Bharuch, Gujarat. The equity shares of WSSL are listed on BSE Limited. As at date, WSL holds ~50.03 % equity stake in WSSL.

Welspun Captive Power Generation Limited ("WCPGL"):

WCPGL is the power generation arm of Welspun Group. WCPGL is engaged in the business of generation and sale of power and steam mainly to Welspun group companies. WCPGL has 80-megawatt (MW) power generation facility at Anjar, Gujrat, which was commissioned in April 2013. In September 2019, WCPGL acquired 43MW power plant from WCL on a slump sale basis.

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As at date, WSL holds ~2.9% of the equity stake in WCPGL. Equity shares of WCPGL are not listed on any stock exchanges.

Anjar TMT Steel Private Limited ("ATMT"):

ATMT, incorporated on April 23, 2021, is a wholly owned subsidiary of WSL and intends to carry out business of manufacturing TMT bars and allied activities. Equity shares of ATMT are not listed on any stock exchanges.

VALUATION APPROACH & METHODOLOGY

Valuation Base: Valuation base means the indication of the type of value being used in an engagement. Different Valuation bases may lead to different conclusions of value. Considering the nature of this exercise, we have adopted Relative Value as the Valuation base.

Premise of Value: Premise of Value refers to the conditions and circumstances how an asset is deployed. Considering the nature of this exercise, we have adopted 'Going Concern' Value as the Premise of Value.

Intended Users: This Report is intended for consumption of the Board of Directors of WCL and WSL and may be submitted to the shareholders of WCL and WSL and relevant regulatory and judicial authorities as may be mandatorily required under the laws of India, in connection with the Proposed Transaction.

It should be understood that the valuation of any entity or business is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. This valuation could fluctuate with the passage of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.

Commonly accepted approach/ methods for determining the value of the equity shares of a company/ business, include:

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

There are several commonly used and accepted methods, within the market approach, income approach and asset approach, for determining the Share Entitlement Ratio, which have been considered in the present case, to the extent relevant and applicable, and subject to the availability of detailed information.

Income Approach – Discounted Cash Flow ("DCF")

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.

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Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. The terminal value represents the total value of the available cash flow for all periods subsequent to the horizon period. The terminal value of the business at the end of the horizon period is estimated, discounted to its present value equivalent, and added to the present value of the available cash flow to estimate the value of the business.

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.

Market Approach

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.

Market Price Method:

Under this method, the value of shares of a company is determined by taking the average of the market capitalization of the equity shares 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.

Comparable Companies Multiple (CCM) Method:

Under this method, the value of the shares / business of a company is estimated 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.

Comparable Transaction Multiple (CTM) Method

Under Comparable Transaction Method, the value of shares / business of a company is determined

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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.

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.

Valuation Approach/ methodology adopted

Valuation of the Demerged Undertaking of WSL has been carried out on a 'sum of the parts' basis considering *inter-alia* valuation of WSL Steel Business and WSL's equity stake in WSL Investee Companies.

Valuation of WSL Steel Business

Valuation of WSL Steel Business is carried out on a 'going concern' premise. WSL Steel Business is expected to make profits in the near to medium term. The historical net asset value of the WSL Steel Business may not be representative of their earning potential. Accordingly, Asset Approach has not been adopted for the valuation of the WSL Steel Business.

Equity shares of WSL are not listed on any stock exchanges. Accordingly, Market price method is not adopted. Valuation of WSL Steel Business therefore has been carried out adopting a combination of Income approach (Discounted cash flow method) and Market Approach (Comparable Companies Multiple method).

Valuation of WSL Investee Companies

Valuation of WSL Investee Companies is carried out on a 'going concern' premise. WSL Investee Companies are expected to make profits in the near to medium term. The historical net asset value of WSL Investee Companies may not be representative of their earning potential. Accordingly, Asset Approach has not been adopted for the valuation of WSL Investee Companies.

- Valuation of WSSL has been carried out adopting a combination of Income approach (Discounted cash flow method) and Market Approach (Comparable Companies Multiple method and Market Price Method).
- Considering that ECGPL has finite life, valuation of WCGPL has been carried out adopting Income approach (Discounted cash flow method).
- Considering that ATMT has been recently incorporated and in absence of business plan, valuation of ATMT has been carried out using underlying Asset Approach (Net Asset Method).

Valuation of CRPS

CRPS of WCL are not listed on any stock exchanges. Further, CRPS issued by the other companies may not be comparable with the CRPS of WCL in terms of the coupon rate, tenor, credit rating, etc. Accordingly, the valuation of CRPS of WCL has been carried out adopting the income approach considering *inter-alia* the coupon rate, tenor, credit rating of WCL and other factors.

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SCOPE, ASSUMPTIONS, EXCLUSIONS, LIMITATIONS, AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. These services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The scope of our services is to recommend a Share Entitlement Ratio for the Proposed Transaction. Valuation Standards ("ICAI VS") issued by the Institute of Chartered Accountants of India has been adopted for the valuation.

The recommendation contained herein is as at the date of the Report ("Valuation Date") and is not intended to represent value at any time other than the date of the Report.
This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the Valuation Date and (iii) are based on the data detailed in the section - Sources of Information. We have been informed by the Management that the business activities of the Specified Companies have been carried out in the normal and ordinary course between March 31, 2021 and the Report date and that no material changes have occurred in their respective operations and financial position between March 31, 2021 and the Report date.

An analysis of this nature is necessarily based on the information made available to us, the prevailing stock market, financial, economic, and other conditions in general and industry trends in particular, as of the Valuation Date. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The recommendation rendered in this Report only represents our recommendation based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

The COVID-19 (SARS-CoV-2) ("Coronavirus" or "Virus" or "Covid") is presenting potentially significant impacts upon economic activity and certain businesses. At the Report Date, the Covid pandemic is still ongoing, and the future impact of the Coronavirus was not capable of being qualitatively or quantitatively assessed at this time. For carrying out the valuation, we have factored the impact of Covid in the valuation based on the information available till the Report Date and based on our understanding of the likely impact on the Demerged Undertaking. However, this should not be considered as an accurate assessment of the future impact of the COVID-19 on the Demerged Undertaking, or any prediction regarding the future course of events that would arise due to the Covid pandemic.

Valuation of a business or an entity 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. There is, therefore, no single undisputed Share Entitlement Ratio. While we have provided our recommendation of the Share Entitlement Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Share Entitlement Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of WSL and WCL who

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should take into account other factors such as their own assessment of the Proposed Transaction and inputs from other advisors.

In the course of the valuation, we were provided with both written and verbal information. We have evaluated the information provided to us by/ on behalf of the Management through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Management. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Further, with respect to the information and explanation sought for the Demerged Undertaking, we have been given to understand by the Management that they have not omitted any relevant or material information. Our conclusions are based on the assumptions and information given by/on behalf of the Management. The Management has indicated to us that they have understood that any omissions, inaccuracies, or misstatements may materially affect our valuation analysis/results.

Valuation may be based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time. However, we do not provide assurance on the achievability of the results projected by the Management as events and circumstances do not occur as expected and differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected as the achievement of the projected results is inter-alia dependent on actions, plans and assumptions of the Management and macro-economic and other external factors which are beyond the control of the Management. Further, we have relied on the assessment of the Management as regards to contingent and other liabilities.

The Report assumes that the business/ companies constituting the Demerged Undertaking complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that they will be managed in a competent and responsible manner. Further, unless 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 litigations and other contingent liabilities that are not recorded/ reflected in the financial statements provided to us.

This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Transaction as compared with any other alterative business transaction or other alternatives or whether such alternatives could be achieved or are available.

We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and / or reproduced in its proper form and context.

The valuation analysis is based on the exercise of judicious discretion by the valuer taking into account the relevant factors. There will always be several factors, e.g., management capability, present and prospective competition, yield on comparable securities, market sentiment, etc.

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which may not be apparent from the financial statements but could strongly influence the value.

No investigation/ inspection of the Specified companies' claim to title of assets has been made for the purpose of this Report and the Specified companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the financial statements. Therefore, no responsibility is assumed for matters of a legal nature.

Neither this Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or documentgiven to third parties other than in connection with the Scheme, without our prior written consent. This Report does not in any manner address the prices at which equity shares of WCL / WSSL will trade following announcement of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of WCL / WSL should vote at the shareholders' meeting(s) to be held in connection with the Proposed Transaction.

This Report and the information contained in it is absolutely confidential and intended only for the sole use and information of the Board of Directors of WCL and WSL in connection with the Proposed Transaction including for the purpose of obtaining regulatory approvals, as required under applicable laws of India, for the proposed demerger. Without limiting the foregoing, we understand that WCL and WSL may be required to share this Report with their shareholders, regulatory or judicial authorities and merchant banker providing fairness opinion on the Share Entitlement Ratio, in connection with the Proposed Transaction (together, "Permitted Recipients"). We hereby give consent to such disclosure of this Report, on the basis that the Valuer owes responsibility only to WCL and WSL that have engaged us, under the terms of the engagement, and to no other person; and that, to the fullest extent permitted by law, the Valuer accepts no responsibility or liability to any other party, in connection with this Report. It is clarified that reference to this Report in any document and / or filing with Permitted Recipients, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by the Valuer of any responsibility or liability to any person/ party otherthan WCL and WSL.

The Management has informed us that:

- There are no unusual / abnormal events in the Specified Companies till the Report Date materially impacting their operating / financial performance. Further, the Management has informed us that all material information impacting WCL, and WSL (including WSL investee companies) has been disclosed to us.
- There would be no variation between the draft Scheme of Arrangement and the final scheme approved and submitted with the relevant authorities.

We owe responsibility to only the Boards of Directors of WSL and WCL that has 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 advisor to the Specified Companies. 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 Specified Companies, their directors, employees, or agents. In no circumstances shall the liability of a Valuer, its partners, its directors, or employees, relating to the services provided in connection with the engagement set out in this Valuation Report shall exceed the amount paid to the Valuer in respect of the fees charged by it for these services.

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

Our Report can be used by WCL and WSL 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 WCL / WSL for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person / party for any decision of such person / party based on this Report. Any person / party intending to provide finance / invest in the shares / business of the companies / their holding companies/ subsidiaries/ associates/ investee 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 WCL and WSL) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to the Valuer. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this Report or any part thereof, except for the purpose asset 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.

The Management of WCL and WSL has been provided with the opportunity to review the draft report (excluding the recommended Share Entitlement Ratio) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final Report.

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

This Report is subject to the laws of India.

The Report should be used in connection with the Scheme.

BASIS OF FAIR SHARE ENTITLEMENT RATIO

The basis of demerger of the Demerged Undertaking of WSL into WCL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a Share Entitlement Ratio, it is necessary to arrive at a single value for the Demerged Undertaking of WSL and CRPS of WCL. It is however important to note that in doing so we are not attempting to arrive at the absolute values but at their relative values to facilitate the determination of a Share Entitlement Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

The Share Entitlement Ratio has been arrived at on the basis of a relative valuation based on the various approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses, having regard to information base, key underlying assumptions, and limitations.

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We have independently applied valuation methodologies discussed herein above as appropriate and arrived at the value per share of the Demerged Undertaking and at the value per share of CRPS. To arrive at the consensus on the Share Entitlement Ratio for the proposed demerger, suitable minor adjustments/ rounding off have been done.

The computation of the Share Entitlement Ratio is as under:

Valuation Approach	Demerged Undertaking (A)		CRPS (B)	
	INR per share	Weight	INR per share	Weight
Market Approach: Comparable Companies Multiple Method	8.00	50%	NA	0%
Income Approach: Discounted Cash Flow Method	8.17	50%	10.00	100%
Asset Approach: Net Asset Value Method	11.47	0%	NA	0%
Relative Value per share	**8.09**	**100%**	**10.00**	**100%**
Share Entitlement Ratio (A/B) (Rounded off)	*0.81*			

NA: Not Applicable/ Not adopted

On the basis of the foregoing and on consideration of the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Share Entitlement Ratio for the demerger of the Demerged 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.

The Share Entitlement Ratio has been determined based on the capital structure of WSL as on the Report Date and the key terms of the CRPS proposed to be issued by WCL.

Respectfully submitted,

For RBSA Valuation Advisors LLP
(RVE No.: IBBI/RV-E/05/2019/110)

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RBSA VALUATION ADVISORS LLP *

Ravishu Vinod Shah
Partner
Asset Class: Securities or Financial Assets
(RV No.: IBBI/RV/06/2020/12728)
Date: June 26, 2021
Place: Mumbai

REPORT ON

RECOMMENDATION OF RATIO

OF ALLOTMENT FOR THE

PROPOSED DEMERGER

OF

STEEL UNDERTAKING

OF WELSPUN STEEL LIMITED ("WSL")

INTO

WELSPUN CORP LIMITED ("WCL")

ACCOUNTANTS' REPORT

Drushti R. Desai
Bansi S. Mehta & Co.
Chartered Accountants
Metro House, 3rd Floor
M. G. Road, Dhobi Talao,
Mumbai – 400 020.

CONTENTS

1. Glossary of Abbreviation

Abbreviation	Definition
BSE	Bombay Stock Exchange
CCM	Comparable Companies Multiple Method
Comparable Companies	Comparable Companies In Similar Line Of Business
DCF Method	Discounted Cash Flow Method
FCF	Free Cash Flows
EBITDA	Earnings Before Interest, Tax, Depreciation And Amortisation
EV	Enterprise Value
IVS	ICAI Valuation Standards
ICAI	Institute Of Chartered Accountants Of India
Management	Management Of Welspun Steel Limited and Welspun Specialty Solutions Limited
NSE	National Stock Exchange
Steel Business or SB	Steel Business of WSL
SOTP	Sum of the Parts
Scheme	Scheme of Arrangement Under Section 230 To 232 of the Companies Act, 2013
Valuation Date	June 25, 2021
WAP	Weighted Average Price
WSL	Welspun Steel Limited
WSSL	Welspun Specialty Solutions Limited
WCL	Welspun Corp Limited
WCPGL	Welspun Captive Power Generation Limited

DRUSHTI RAHUL DESAI REGISTERED VALUER ★

2. Introduction and Brief History

2.1. There is a proposal before the Board of Directors of Welspun Steel Limited for the Demerger of the Steel Business of Welspun Steel Limited ("Steel Business" or "SB") along with investment in equity shares of Welspun Specialty Solutions Limited ("WSSL") and Welspun Captive Power Generation Limited ("WCPGL") in to Welspun Corp Limited. Preference shares of WCL shall be issued to the shareholders of WSL on the proposed demerger. The Steel Business along with demerging investments hereinafter referred to as the "Demerging Undertaking". The proposed transaction is contemplated under a scheme of arrangement under section 230 to 232 of the Companies Act, 2013 ("Scheme").

2.2. In this regard, I have been called upon by the management of WSL and WCL ("The Management") vide Engagement Letter dated June 16, 2021, to recommend ratio of allotment for the proposed demerger.

2.3. Accordingly, this report ("the Report" or "my Report ") sets out the findings of my exercise. For the purpose of my Report, I have considered the Valuation Date as June 25, 2021 (**"Valuation Date"**).

2.4. Brief Profile of the Companies and the Steel Business

2.4.1. Welspun Steel Limited

Welspun steel limited ("WSL") is an unlisted public company incorporated on June 3, 2004 under the provisions of the Indian Companies Act, 1956, and has its registered office situated at S N 650 Village Varsamedi, Taluka Anjar, District- Kutch, Gujarat- 370110. It is primarily engaged the business of manufacturing of Sponge Iron/ DRI and steel Billets/ Ingots.

The issued and subscribed equity share capital of WSL as at March 31, 2021 is as follows:

Share Capital	**Amount (INR in crores)**
Authorised:	
76,07,60,000 Equity Shares of INR 10 each	760.76
30,53,00,000 Preference Shares of INR 10 each	305.30
Issued, Subscribed and fully paid up:	
44,78,13,359 Equity Shares of INR 10 each	447.81

Significant portion of foregoing share capital viz. 96.61% is held by Rank Marketing LLP, MGN Agro Properties Pvt Ltd and its nominees.

The equity shares of WSL are not listed.

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2.4.2. Welspun Specialty solutions Limited

WSSL is a listed public limited company incorporated on December 29, 1980 under the provisions of the Indian Companies Act, 1956, and has its registered office at Plot No.1, G.I.D.C. Industrial Estate, Valia Road, Jhagadia Dist. Bharuch - 393 110 Gujarat, India. It is engaged in the business of manufacturing of rolled products, Ingot, Bloom, seamless pipe, Mill scale, Slab casting and others.

The issued and subscribed equity share capital of WSSL as at March 31, 2021 is as follows:

Share Capital	**Amount (INR in crores)**
Authorised:	
55,00,00,000 Ordinary Shares of INR 6 each	330.00
23,50,00,000 Preference shares of INR 10 each	235.00
Issued, Subscribed, and paid up:	
52,94,21,306 Ordinary Shares of INR 6 each fully paid up	317.65
5,09,04,271 12% non-cumulative redeemable preference shares of INR 10 each fully paid up	50.90

The foregoing share capital is held by the promoters to the extent of 53.62% and balance 46.38% is held by public.

Source: BSE website

The equity shares of WSSL are listed on BSE Limited ("BSE").

Further, WSSL issued 6,67,850 equity shares against exercise of ESOPs after March 31, 2021, till the date of this report.

2.4.3. Welspun Corp Limited

WCL is a listed public limited company incorporated on April 26, 1995 under the provisions of the Companies Act, 1956 and has its registered office is at Welspun City, Village Versamedi, Taluka Anjar, Gujarat – 370110 and is primarily engaged in the business of Production and Coating of High Grade Submerged Arc Welded Pipes.

The issued and subscribed equity share capital of WCL as at March 31, 2021 is as follows:

Share Capital	**Amount (INR in crores)**
Authorised: 30,41,00,000 Equity Shares of INR 5 each	152.05
9,80,00,000 Preference shares of INR 10 each	98.00
Issued, Subscribed and fully paid up: 26,08,84,395 Equity Shares of INR 5 each	130.44

Source: *Draft Scheme*

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The foregoing share capital is held by promoters to the extent of 50.02% and balance 49.98% is held by public.

Source: *BSE*

The equity shares of WCL are listed on BSE and National Stock Exchange Limited ("NSE").

Further, WCL issued 65,000 equity shares against exercise of ESOPs after March 31, 2021, till the date of this report.

2.4.4. Steel Business of WSL

Steel Undertaking of WSL is primarily engaged in the business of manufacturing of Sponge Iron/ DRI and steel Billets/ Ingots.

2.4.5. Demerging Undertaking of WSL comprise its Steel Business, investment in shares of WSSL and shares of WCPGL.

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3. Data obtained

3.1 I have called for and obtained such data, information, etc. as were necessary for the purpose of this assignment, which have been, as far as possible, made available to me by the Management. **Appendix A** hereto broadly summarizes the data obtained.

3.2 For the purpose of this assignment, I have relied on such data summarized in the said Appendix and other related information and explanations provided to me in this regard.

4. Approach to Valuation

4.1 It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or an approach that is suitable for the purpose.

4.2 It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018 has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. The IVS is mandatory for a valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. I have given due cognizance to the same in carrying out the valuation exercise.

4.3 For the purpose of arriving at the valuation, I have considered the valuation base as 'Fair Value'. My valuation, and this Report, is based on the premise of 'going concern'. Any change in the valuation base, or the premise could have a significant impact on the valuation exercise, and therefore, this Report.

4.4 IVS 301 on Business Valuations deals with valuation of a business and business ownership interest (i.e. it includes valuation of shares).

4.5 IVS 301 specifies that generally, the following three approaches for valuation of business/business ownership interest are used:

4.5.1 **Market Approach**

4.5.1.1 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. The common methodologies under the Market Approach are as under.

4.5.1.1.1 Market Price Method:

This method involves determining the market price of an entity based on its traded price on the stock exchange over a reasonable period of time.

4.5.1.1.2 Comparable Companies Multiple Method ("CCM") :

This method involves valuing an asset based on market multiple of comparable companies as related to earnings, assets etc.

4.5.2 **Income Approach**

Income approach is a valuation approach that converts maintainable future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalised) amount. An approach based on earnings is relevant in case of companies generating a steady stream of income. The steel industry is observed to be cyclical in nature. The projections of WSL and WSSL as provided have not been adjusted for this cyclicity. Hence, I have not relied on the Discounted Free Cash Flow approach.

4.5.3 **Cost Approach**

Cost Approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an assets (often referred to as current replacement cost). This approach is relevant in looking at value of capital-intensive businesses.

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4.6 The Transaction involves Demerger by WSL of its Steel Business including investment in equity shares of WSSL and WCPGL into WCL. Against such demerger, WCL would allot 6% Cumulative Redeemable preference shares at par to the shareholders of WSL. I have, therefore, determined value of WSL attributed to Demerged Undertaking based on sum of the parts ("SOTP") approach, so as to determine the fair ratio of allotment for this transaction.

4.7 Under SOTP for the Demerged Undertaking I have recognised the following parts

- 4.7.1. Steel Business comprised in WSL involving manufacture of steel ("Steel Business of WSL")
- 4.7.2. Investment in WSSL
- 4.7.3. Investment in Welspun Captive power generation limited being used for captive power consumption in the Steel Business of WSL.

4.8 For WCPGL I have relied on the fair valuation report dated May 21, 2021 obtained by the Management from TPG & Co.

4.9 Each of the above part is valued separately and added up to determine the fair value of the Steel Undertaking.

4.10 For determination of value of each of the part of the Demerged Undertaking, I have used the examined the applicability of the methods listed in para 4.5 above. I discuss below the approach to valuation adopted for each part.

4.11 Valuation of Steel Business of WSL

4.11.1 Market Approach:

4.11.1.1 Market Price Method

The equity shares of WSL are not listed on any stock exchange. Further, the transaction involves demerger of an undertaking out of the company. As the shares of the company undergoing the demerger are not listed there is no market price reflection available for the same. Therefore, this method is not used for determination of the value of the demerging undertaking of WSL.

4.11.1.2Under CCM Method

WSL is a company which is in the business of manufacture of steel billets and has had a track record of profits. Hence, I have followed the undermentioned steps to derive the value of Steel Undertaking of WSL under CCM.

4.11.1.2.1 **Value based on Historic EV/ EBITDA Multiple Method**

The broad steps followed to derive the value based on forward Earning Before Interest Depreciation Tax and Amortisations ("EBITDA"), are mentioned hereunder:

- For the purpose of arriving at the value under this method I have considered the financial statements of WSL for the year ended March 31, 2021.

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- Under this method, I have considered the profit before tax of the Company for the year ended March 31, 2021, adjusted for non-operating and non-recurring expenses/incomes, interest, depreciation, tax and amortisation in order to arrive at Adjusted EBIDTA.
- Calculated the Enterprise Value ("EV") of companies in similar line of business comparable to the business being valued, hereinafter referred to as Comparable Companies by adding the amount of debt and preference capital as applicable to their respective Adjusted Market Capitalization considering their market price based on Weighted Average Price ("WAP") over a period of three months ended the Valuation date. Also computed adjusted EBIDTA for these companies to derive EV/EBIDTA Multiples for the Comparable Companies.
- I observed in case of some of the well tracked Comparable Companies that there is an expectation of decline in EBIDTA per tonne in the year 2023 over the earlier year. Despite such decline there is a strong growth momentum seen in those companies. This trend was not observed in WSL. Since, earnings multiples of Comparable Companies would have built in such growth expectation, I have discounted the EV/EBIDTA multiple of the Comparable Companies by 20%.
- The EBIDTA of WSL as computed above is then multiplied by such discounted EV/EBIDTA Multiple to obtain EV of the Steel Business as at the Valuation Date.
- The EV so arrived at above is increased by the realizable amount of non-operating cash and bank balances and reduced by the amount of borrowings, to arrive at the Business value/Equity value. It is understood from the Management that none of the contingent liabilities are expected to crystallise. Therefore, no reduction is made for the same.

4.11.2 Cost Approach

It may be noted that the Steel Business is capital intensive. For arriving at the value under this approach I have considered the value of assets based on their reflection in the Balance Sheet of WSL as on March 31, 2021.

However, in the final valuation, due cognizance is given to the fact that, in going concern valuation, earnings potential would be more relevant for determining its value.

4.11.3 Fair valuation of Steel Business of WSL:

I have arrived at the fair value of the steel undertaking of WSL by applying 66.67% weight to the comparable company multiple Method and 33.33% weight to the Net asset value method. Under comparable company multiple method fair value is arrived at using EV/ EBITDA method.

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4.12 Valuation of Investment in WSSL

4.12.1 Under Market Approach:

4.12.1.1 Market Price Method

Insofar as valuation of WSSL is concerned, as stated in para 2.4.2, its equity shares are listed on BSE. Therefore, I have determined the market price of WSSL based on Weighted Average Price ("WAP") over a period of three months ended the Valuation date. It may be noted that the shares of the WSSL are thinly traded.

4.12.1.2 Under CCM Method

I have observed that WSSL has incurred losses in the past. However, the Management proposes to revamp the products and focus only on higher margin products, for which it has already set up the capacity. I have, therefore, considered the forward outlook for WSSL to capture its value. I have followed the following steps to derive the value of the equity shares WSSL under CCM Method.

Value based on Forward EV/ EBITDA Multiple Method

- For the purpose of arriving at the value under this method I have considered the projected financial statements of WSSL for the period ended March 31, 2023.
- Computed the forward EV/EBIDTA Multiple for the Comparable Companies.
- The EBIDTA of WSSL as computed above is then multiplied by such forward EV/EBIDTA Multiple and the value thus obtained is the Enterprise Value of WSSL as at the Valuation Date.
- The Enterprise Value so arrived at above is increased by the realizable amount of non-operating cash and bank balances and reduced by the amount of borrowings, fair value of 12% Non-Cumulative Preference Shares so as to arrive at the Business value/Equity value as at the Valuation Date. It is understood from the Management that none of the contingent liabilities are expected to crystallise. Therefore, no adjustment is made for the same.
- I have divided such Business Value arrived above by the number of fully paid, issued and subscribed equity shares of WSSL as at the Valuation Date to arrive at the value per share under the Forward EV/ EBITDA Multiple Method.

4.12.2 Cost Approach

WSSL is engaged in asset intensive business. Therefore, this approach would achieve primary importance. However, the company has suffered losses in the past which were funded by debt, which brought down the asset base of the company. Further, in a going concern scenario, the relative earning power, as reflected under the Earnings based and Market approaches, is of greater importance to the basis of amalgamation / arrangement,

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with the values arrived at on the net asset basis being of limited relevance. Therefore, I have not used the Cost Approach for valuation of WSSL for this valuation.

4.12.3 Fair Valuation of WSSL:

Considering that the shares of WSSL are thinly traded I have given lower weight to the value arrived at under the Market Price Method. I have arrived at the fair value per share of the WSSL by applying 85% weight to the value arrived at under the CCM Method and 15% weight to the value under the Market price method.

4.13 Sum of the parts value of WSL

The fair value of the Demerged Undertaking is arrived at by adding the value of the 50.03% holding of WSL in WSSL and 2.95% holding of WSL in WCPGL to the value of Steel Business of WSL under each of the approaches adopted.

I have divided the fair value of the Demerged undertaking by the face value of the 6% cumulative redeemable preference shares to be issued by WCL to arrive at the total number of shares to be issued. This is divided by the total issued equity shares of WSL to calculate the fair allotment ratio.

Approach	Weights	Total Business Value (INR in Crores)	
Market Approach			**330.36**
Comparable Companies Multiple Method			
Based on EBITDA	66.67%	330.36	
Cost Approach			**421.11**
Net Asset Value Method	33.33%	421.11	
Total	**100%**		
		Business Value as at Valuation Date	**360.61**

5 Conclusion

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.

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6 Limitations and Disclaimers

This Report is subject to the scope of limitations detailed hereinafter.

6.1 As such the Report is to be read in totality and not in parts.

6.2 The valuation is based on the information furnished to me being complete and accurate in all material respect.

6.3 I have relied on the written representations from the Management that the information contained in this report is materially accurate and complete in the manner of its portrayal and therefore forms a reliable basis for the valuation.

6.4 The information presented in this report does not reflect the outcome of any financial due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the valuation materially.

6.5 My scope of work does not enable me to accept responsibility for the accuracy and completeness of the information provided to us. I have, therefore, not performed any audit, review or examination of any of the historical or prospective information used and therefore, I do not express any opinion with regard to the same.

6.6 I have relied on the judgment made by the Management and, accordingly, the valuation does not consider the assumption of contingent liabilities materializing (other than those specified by the Management and the Auditors). If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, then this may have the effect on the valuation computations.

6.7 The Report is meant for the specific purpose mentioned herein and should not be used for any purpose other than the purpose mentioned herein. The Report should not be copied or reproduced without obtaining my prior written approval for any purpose other than the purpose for which it is prepared.

6.8 No investigation of the Company's claim to the title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The report is not, nor should it be construed, as my opining or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.

6.9 The valuation is based on the market conditions and the regulatory environment that existed at the Valuation Date. However, changes to the same in the future could impact the companies and the industry they operate in, which may impact the valuation.

6.10 I have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.

6.11 I have not carried out any physical verification of the assets and liabilities of the Company and take no responsibility for the identification of such assets and liabilities.

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6.12 I have not considered any additional impairment on fixed assets other than that already considered by Management.

6.13 This Report does not look into the business/commercial reasons behind the proposed transaction nor the likely benefits arising out of it. Similarly, it does not address the relative merits of the proposed transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

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7 Gratitude

I am grateful to the Management for making information and particulars available to us, often at a short notice, to enable me to conclude my opinion in a time-bound manner.

DRUSHTI RAHUL DESAI REGISTERED VALUER

DRDesai

DRUSHTI R. DESAI.
Registered Valuer
Registration Number: IBBI/RV/06/2019/10666

Place: Mumbai
Date: June 26,2021
UDIN: 21102062AAAABQ6995

APPENDIX A: Broad Summary Of Data Obtained

From the Managements:

1. Carved Out Balance sheet of Steel Business of WSL as at March 31, 2021.

2. Audited Financial Statements of WSSL for the period ended March 31, 2021.

3. Projected financial statements for WSL and WSSL for years to end March 31, 2022 to March 31, 2026.

4. Draft Scheme of arrangement for the proposed transaction.

5. Income tax Computation for WSL and WSSL for AY 2021-22

6. Valuation report for WCPGL issued by TPG and Co. dated May 21, 2021.

7. Terms of 12% Non- cumulative redeemable preference shares issued by WSSL.

8. Answers to specific questions and issues raised by me to the Management after examining the foregoing data.

9. Other information as required by me from time to time.

From publicly available sources:

1. Quantity of shares traded and Traded Turnover of equity shares of the Comparable Companies on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. Data of Comparable Companies from the database of ACE TP.

3. Audited financial statements of comparable companies.

4. ET Intelligence for Industry analyst reports.

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