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Submitted to

JINDAL STAINLESS LIMITED

FAIRNESS OPINION REPORT

On

(i) Share Entitlement Ratio Report for the proposed demerger of Ferro Alloy Division & Mining Division of Jindal Stainless Limited into Jindal Stainless (Hisar) Limited; and (ii) the slump sale valuation report of Business Undertakings of Jindal Stainless Limited in relation to the proposed slump sale by Jindal Stainless Limited to Jindal Stainless (Hisar) Limited, Jindal United Steel Limited & Jindal Coke Limited, from B S R and Associates, Chartered Accountants (B S R)

BY

M/s SPA Capital Advisors Limited

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December 27, 2014

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THE FINANCIAL ADVISORS
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The Reorganisation Committee

Jindal Stainless Limited

Jindal Centre,

12, Bhikaji Cama Place,

New Delhi-110066, India

RE: Share Entitlement Ratio Report for the proposed demerger of Ferro Alloy Division & Mining Division of Jindal Stainless Limited into Jindal Stainless (Hisar) Limited; and the slump sale valuation report of Business Undertakings of Jindal Stainless Limited in relation to the proposed slump sale by Jindal Stainless Limited to Jindal Stainless (Hisar) Limited, Jindal United Steel Limited and Jindal Coke Limited, from B S R and Associates, Chartered Accountants (B S R)

PURPOSE

We have been engaged to give fairness opinion on Share Entitlement Ratio Report for demerger of Ferro Alloy Division & Mining Division (collectively, the "Demerged Undertakings") of Jindal Stainless Limited ("JSL", "Transferor") into Jindal Stainless (Hisar) Limited ("JSHL", "Resulting Company") and slump sale Valuation Report of Hisar Unit, HSM Plant and Coke Plant (Business Undertaking I, Undertaking II & Undertaking III, respectively, and collectively as "Business Undertakings") to Jindal Stainless (Hisar) Limited, Jindal United Steel Limited and Jindal Coke Limited (collectively as "Transferee Companies") as going concern from B S R and Associates, Chartered Accountants (B S R). This report should be read in conjunction with Share Entitlement Ratio Report and Valuation Report dated December 27, 2014 issued by B S R and Associates.

BACKGROUND

JINDAL STAINLESS LIMITED (JSL)

Jindal Stainless Limited has its registered office at O. P. Jindal Marg, Hisar - 125 005, Haryana. JSL is engaged in the business of manufacturing, distribution and sale of stainless steel in India and abroad. An ISO: 14001 compliant, JSL product range includes: Ferro Alloys, Stainless Steel Slabs, Blooms, Hot Rolled Coils, Plates and Cold Rolled Coils/ Sheets, Stainless Steel Strips for Razor Blade Steel and Coin Blanks including other products.

TRANSACTION

The Management of JSL has decided on business re-organisation of the Company by way of demerger which is proposed as follows:-

The transaction is proposed under a composite scheme of arrangement under section 391-394 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013, as may be applicable (the "Scheme").

As per the Scheme, JSHL will issue its equity shares and cumulative Compulsory Convertible Preference shares to the respective shareholders of JSL as a consideration for the demerger of Ferro Alloy Division in Vizag, Andhra Pradesh & Mining Division in Odisha (Demerged Undertakings) as per share entitlement ratio. Upon coming into effect of the Scheme, and in consideration of the demerger of the Demerged Undertakings and transfer and vesting thereof with the Resulting

Company, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot the Equity Shares and Cumulative Compulsory Convertible Preference Shares on a proportionate basis to the respective shareholders of the JSL is as follows:

"One equity share of INR Two each as fully paid up in JSHL for every one equity share of INR Two held in JSL.

And One 0.1% Cumulative Compulsory Convertible Preference Shares of INR Two each as fully paid up in JSHL for every one 0.1% Cumulative Compulsory Convertible Preference Shares of INR Two held in JSL"

Business Undertakings are business segments of JSL. As per draft scheme of arrangement provided to us by JSL:

"Business Undertaking I" means the business undertaking relating to Hisar Unit of JSL, on a going concern basis including (i) all the manufacturing facilities located at Hisar, Haryana, including, without limitation, the stainless steel manufacturing facility, special steel facility and the coin blank facility; and (ii) identified investments.

"Business Undertaking II" means the business undertaking relating to the HSM Plant, on a going concern basis, including the hot strip mill, roll shop, plate finishing, bell annealing and other allied facilities of JSL located at Jajpur, Odisha. This is proposed to be converted into a Carbon steel manufacturing plant.

"Business Undertaking III" means the business undertaking relating to the Coke Plant, on a going concern basis, including the coke oven plant and other allied facilities of the Coke Plant of JSL located at Jajpur, at Odisha. This undertaking will undertake further expansion.

This Fairness opinion report is required as per clause 24 (h) of listing agreements entered into with the stock exchanges.

Statement of Limiting Conditions: The Final Report has been prepared for the internal and exclusive use of The Reorganisation Committee of Jindal Stainless Limited in support of the decisions to be taken by it, the Resulting Company and the Transferee Companies. Therefore, the Final Report may not be disclosed, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement and in the Final Report itself, provided that the Final Report may be transmitted to the experts appointed in compliance with the law and its content may be disclosed publicly where required by regulations of the Indian authorities. Any other use, in whole or in part, of the Final Report will have to be previously agreed and authorised in writing by SPA Capital Advisors Limited (SPA). In preparing the Final Report, SPA has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by Jindal Stainless Limited. SPA has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information. Publicly available information deemed relevant for the purpose of the analyses contained in the Final Report has also been used. Therefore the Final Report is based on: (i) our interpretation of the information which Jindal Stainless Limited, as well as their representatives and advisers, have supplied to us to date; (ii) our understanding of the terms upon which Jindal Stainless Limited intends to consummate the Transaction (iii) the assumption that the Transaction will be consummated in accordance with the expected terms and within the expected time periods. In the execution of the Engagement, SPA has elaborated its own analysis based on the methodologies illustrated below, reaching the conclusions contained in the final paragraph of this Final Report.

New Delhi

The conclusions described in the Final Report have been prepared with the sole purpose of determining fairness of valuation of Demerged Undertakings and Business Undertakings of Jindal Stainless Limited, for the purpose of proposed demerger and slump sales therefore; the values contained in this Final Report have no relevance for purposes other than that stated. The Final Report and the Opinion concern exclusively for the purpose of proposed demerger and the slump sales and do not constitute an opinion by SPA as to the absolute value of the shares of Jindal Stainless Limited.

The conclusions contained in this Final Report are based on the whole of the valuations contained herein and therefore no part of the Final Report may be used apart from the document in its entirety.

The Final Report and the Opinion are necessarily based on economic, market and other conditions as on the date of valuation, and the written and oral information made available to us until December 26, 2014. It is understood that subsequent developments may affect the conclusions of the Final Report and of the Opinion and that, in addition, SPA has no obligation to update, revise, or reaffirm the Opinion.

In addition, SPA is expressing no opinion as to the price at which any securities of Jindal Stainless Limited will trade on the stock market at any time. Other factors after the date hereof may affect the value of the businesses of Jindal Stainless Limited either before or after completion of the event. No opinion is expressed by SPA whether any alternative transaction might have been more beneficial to Jindal Stainless Limited. It also remains understood that SPA or certain SPA affiliates may currently have and may in the future have commercial banking, investment banking, trust and other relationships and/or engagements with, Counterparties which may have interests with respect to Jindal Stainless Limited, or companies directly or indirectly, controlled by, affiliated with Jindal Stainless Limited or in which Jindal Stainless Limited holds securities. Finally, it remains understood that SPA or certain SPA affiliates may have fiduciary or other relationships and engagements whereby SPA or certain SPA affiliates may exercise voting power over securities of various persons, which securities may from time to time include securities of Jindal Stainless Limited, or companies directly or indirectly controlled by, affiliated with Jindal Stainless Limited, or in which Jindal Stainless Limited holds securities, or other parties with an interest in the Transaction.

COMMON APPROACHES TO VALUATION

Income Approach

The *Income Approach* measures the value of an asset by calculating the present value of its future economic benefits. When used to determine *Business value*, the *Income Approach* develops an indication of value by discounting forecasted cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds plus the expected rate of inflation and the risks associated with the particular investment. The discount rate applied to these expected cash flows is generally based upon rates of return available from alternative investments of similar type and quality. Another discounting method calculates the company's *Weighted Average Cost of Capital ("WACC")* from its cost of debt and cost of equity. Forecasts typically cover three to five years, but the reliability of forecasts for valuation purposes in early stage enterprises depends upon many factors, such as the company's vulnerability to advances in technology, actions by competitors, changes in end-user requirements, & the availability of financing. Selecting the forecast period required our judgment.

The *Income Approach* works best when development stage companies have progressed to Stage five. Typically, companies in prior stages have limited operating histories and cash flow forecasts. Using the *Income Approach* when a company has not achieved profitability or positive cash flow, and therefore has negative flows/losses during some or all of the forecast years, results in an *equity Value* that consists mostly (if not entirely) of the *Terminal Value ("TV"* is the estimate of the *Company's* future value at the end of the forecast period).

Market Approach

The *Market Approach* measures the value of an asset through an analysis of recent sales of comparable property compared to the property being valued. When applied to the valuation of an equity interest, consideration is given to the financial condition and operating performance of the subject company compared to either publicly traded companies with similar lines of business or recent corporate acquisitions (*"Guideline Companies"*). Typically, the companies selected for comparison are subject to economic, political, competitive, and technological factors that correspond with those confronting the *Company*.

The *Market Approach* is conceptually preferable to the other two approaches both because it uses direct comparisons to similar enterprises and because the analysis is based upon actual market transactions. However, comparables that fit perfectly rarely exist. Privately held companies are compared to publicly traded ones that are typically further along in their stage of development, have superior access to capital, and have common stock that is readily marketable. Often historical results of public companies are being compared to projected results for the private company being valued. In order to reflect these differences, data from the *Guideline Companies* must be appropriately adjusted.

Asset Approach

The *Asset Approach* measures the value of an asset by the cost to reconstruct or replace it with another of like utility. When applied to the valuation of equity interests in businesses, value is based on the net aggregate *fair market value* of the entity's underlying assets.

This approach basically entails a restatement of the balance sheet of the enterprise in which the *fair market value* of its assets and liabilities are substituted for their book values. This approach is frequently used to value holding companies or capital-intensive firms. It is typically not an appropriate valuation approach for growing operating companies which provide goods or services and which have significant intangible value. The same may be considered in conjunction with other approaches with lower weight age.

Sources of Information: The valuation was performed as per following information:

- Unaudited carved out financials of Business Undertakings for the twelve month period ended 31st March 2014 and for the six months period ended September 30, 2014
- Business plan of Business Undertaking I for the period April 01, 2014 to March 31st 2019
- Business plan of Business Undertaking II for the period April 01, 2014 to March 31st 2024
- Business plan of Business Undertaking III for the period April 01, 2014 to March 31st 2020
- Business profile of JSL.
- Draft Scheme of Arrangement

SUMMARY OF SLUMP SALE VALUATION PERFORMED BY B S R

METHODOLOGY ADOPTED

Discounted Cash Flow Method:

B S R has applied Discounted Cash Flow Method for valuing each of the Business Undertakings on a standalone basis using past trends, longer term forecasts based on past and current financial trends and general economy and industry outlook.

To arrive at the total value of the Business Undertakings, the value arrived under DCF method is adjusted for the value of borrowings, cash & cash equivalents, surplus assets and contingent liabilities.

Fair Value:

The fair value of the Undertakings has been arrived, basis on the methodology applied for its valuation considering various qualitative factors relevant to the Undertakings, the business dynamics and growth potential of the business, having regard to information base, key underlying assumptions and limitations.

Based on above, the fair value of equity of,
Business Undertaking I: INR 28,098 Mn
Business Undertaking II: INR 24,127 Mn
Business Undertaking III: INR 4,926 Mn

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SUMMARY OF SHARE ENTITLEMENT RATIO PERFORMED BY B S R

B S R has, inter alia, mentioned in their report:

"Based on the aforementioned and that upon demerger, the set of shareholders and holding proportion being proposed for JSHL is identical to that of JSL, the beneficial economic interest of JSL shareholders in JSHL will remain same at the time of demerger.

We believe that the above share entitlement ratio is fair and reasonable considering that all the shareholders of JSL are and will, upon demerger, be the ultimate beneficial owners of the Resulting Company and in the same ratio (inter se) as they hold shares in JSL, as on the record date to be decided by Management of JSL."

CONCLUSION

CONCLUSION ON SLUMP SALE VALUATION BY B S R.

The fair value of equity of Business Undertaking I is INR 28,098 Mn, Business Undertaking II is INR 24,127 Mn and Business Undertaking III is INR 4,926 Mn.

The method considered in the valuation is appropriate and reasonable for the subject undertakings.

CONCLUSION ON SHARE ENTITLEMENT RATIO BY B S R

The entitlement ratio as recommended by B S R is "One equity share of INR Two each as fully paid up in JSHL for every one equity share of INR Two held in JSL;

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And One 0.1% cumulative Compulsory Convertible Preference Shares of INR Two each as fully paid up in JSHL for every one 0.1% cumulative Compulsory Convertible Preference Shares of INR Two held in JSL" has been termed as reasonably justified.

It is noted that the Share Entitlement ratio was arrived at assuming that the Resulting Company and the Transferor Company will continue in operation in unhindered manner for the future as at present on a pre demerger standalone basis (going concern).

The assumptions considered in the determination of the Share Entitlement ratio are appropriate and reasonable for the subject companies.

Subject to the assumptions presented herein, in our opinion the fair values of equity of Business Undertakings and Share Entitlement Ratio derived by B S R are fair considering circumstances and purpose of valuation.

for SPA Capital Advisors Limited
(SEBI Reg. No. INM 000010825)

New Delhi

NitiN Somani
Company Secretary