

Submitted to

INDIAN METALS & FERRO ALLOYS LIMITED
&
UTKAL COAL LIMITED

FAIRNESS OPINION

On valuation report provided by

SPA VALUATION ADVISORS PRIVATE LIMITED

On

Scheme of Amalgamation of

UTKAL COAL LIMITED (Transferor Company)

With

INDIAN METALS & FERRO ALLOYS LIMITED (Transferee Company)

BY

CAPITALS[^]SQUARE[®]

Teaming together to create value

CAPITALSQUARE ADVISORS PRIVATE LIMITED

(Category – I Merchant Banker, SEBI Registration no: INM000012219)



October 30, 2023

The Audit Committee, INDIAN METALS AND FERRO ALLOYS LIMITED IMFA Building Bomikhal Rasulgarh Bhubaneswar, Odisha - 751010	The Board of Directors, UTKAL COAL LIMITED AB-19,Safdarjung Shopping Centre, Safdarjung Enclave New Delhi South Delhi DL 110029
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RE: Fairness Opinion on Valuation Report provided by SPA VALUATION ADVISORS PRIVATE LIMITED, a Registered Valuer, having Reg No.: IBBI/RV-E/05/2021/148, for the proposed scheme of amalgamation of INDIAN METALS AND FERRO ALLOYS LIMITED ("IMFA) with UTKAL COAL LIMITED ("UCL)

PURPOSE

We, Capital Square Advisors Private Limited ("CSAPL"), a Category-1 Merchant Banker (SEBI Registration No. INM000012219) have been appointed as an Independent Merchant Banker for furnishing Fairness Opinion on the valuation report provided by SPA VALUATION ADVISORS PRIVATE LIMITED, dated October 30, 2023, for the purpose of proposed amalgamation of UCL, having its registered office at AB-19,Safdarjung Shopping Centre, Safdarjung Enclave New Delhi South Delhi DL 110029, India into IMFA, having its registered office at IMFA Building Bomikhal Rasulgarh Bhubaneswar, Odisha - 751010 u/s Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

The fairness opinion report is required to be submitted to the stock exchanges to facilitate compliance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. SEBI/HO/CFD/POD- 2/P/CIR/2023/93 dated June 20, 2023 Scheme of Arrangement by listed companies along with Regulations 164 (1) of Securities and Exchange Board of

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India (Issue of Capital and Disclosure Requirements) Regulations 2018 (ICDR) read with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022.

BACKGROUND

INDIAN METALS AND FERRO ALLOYS LIMITED (The “Transferee Company” or “IMFA”) is a public listed company incorporated under the provisions of the Companies Act, 1956 on 20.11.1961, having its registered office at IMFA Building Bomikhal Rasulgarh Bhubaneswar, Odisha - 751010. The equity shares of Transferee Company are listed on BSE Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”). The Transferee Company is a leading, fully integrated producer of ferro chrome in India with 190MVA installed furnace capacity backed up by 204.55MW captive power generation and extensive chrome ore mining tracts.

Pre - Amalgamation Shareholding structure of IMFA:Authorized Equity Share Capital	Amount (INR Crores)
6,00,00,000 equity shares of Rs 10 each	60.00
Total	60.00
Authorized Preference Share Capital	Amount (INR Crores)
90,000 9.5% Redeemable Cumulative Preference Shares, Rs. 100/- par value per share	0.90
2,60,000 IInd Series Redeemable Cumulative Preference Shares, Rs. 100/- par value per share	2.60
Total	63.50
Issued, Subscribed and Paid-up Equity Share Capital	Amount (INR Crores)
5,39,54,106 equity shares of Rs 10 each	53.96
Total	53.96

UTKAL COAL LIMITED (or hereinafter referred to as “The Transferor Company” or “UCL”) is a subsidiary company of IMFA. Its registered office is situated at AB-19, Safdarjung Shopping Centre, Safdarjung Enclave New Delhi South Delhi DL 110029. UCL was originally incorporated as Utkal Coal and Power Limited on 02.05.1995.



Subsequently, on 01.12.1998, its name was changed to its current name and a fresh certificate of incorporation was issued.

UCL was set-up as a Special Purpose Vehicle ("SPV") for captive coal mining for IMFA. UCL had been allotted by Ministry of Coal, Govt. of India (Utkal C Coal Block in the Angul district in the state of Odisha with net geological reserves of appx 196 MMT). UCL proposed to set-up a coal mining project along with a washery, railway siding and other infrastructure facilities for supply of required quality and quantity of coal to both existing and proposed thermal power projects of IMFA. UCL was to take up the mine development, excavation and operation of Utkal-C Block.

However, the said coal block was cancelled in 2014 following the orders of Hon'ble Supreme Court. The coal block was considered for fresh auction in October 2021 by the Nominated Authority and Jindal Steel & Power Limited ("JSPL") was declared as the new allottee on 21.07.2022. As a result, the Transferor Company could not commence commercial operations.

Pre-Amalgamation Shareholding structure of UCL:

Authorized Share Capital	Amount (INR Lakhs)
2,50,00,000 equity shares of Rs 10 each	2,500.00
Total	2,500.00
Issued, Subscribed and Paid-up Share Capital	Amount (INR Lakhs)
2,50,00,000 equity shares of Rs 10 each	2,500.00
Total	2,500.00



Shareholding Pattern of UCL:

Name of Shareholders	No. of Equity Shares
Mr. Subhrakant Panda	1030
Indian Metals And Ferro Alloys Limited	1,98,00,000
B P Developers Private Limited	5198930
Mr. Rabindra Kumar Sahoo	10
Mr. Chitta Ranjan Ray	10
Mr. Susant Kumar Padhi	10
Mr. Ashok Kumar Nayak	10

TRANSACTION

We understand that this transaction involves amalgamation of IMFA with UCL pursuant to a Scheme of Amalgamation under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.



INFORMATION RELIED UPON

We have prepared the Fairness Opinion Report on the basis of the information provided to us and inter-alia the following:

- i) Valuation Report dated October 30, 2023, issued by the Registered Valuer, SPA VALUATION ADVISORS PRIVATE LIMITED
- ii) Valuation Workings by the Registered Valuer based on the Audited financials for the period.
- iii) Audited Financial Statements of the Transferor Company and Transferee Company for FY 2021-22 and FY 2022-23
- iv) Provisional Financial Statements of Transferor Company and Transferee Company as on July 31, 2023.
- v) Draft Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013.
- vi) Shareholding Pattern of Transferor Company and Transferee Company as on July 31, 2023.
- vii) Such other information and explanations as we have required and which have been provided by the Transferor Company and Transferee Company.

VALUATION APPROACHES USED BY SPA VALUATION ADVISORS PRIVATE LIMITED

For the purposes of valuation, the Registered Valuer has adopted the following valuation approaches :

- Asset approach : Book Value (Adjusted NAV) Method
- Income approach : Discounted Cash flow Method
- Market approach : Comparable Companies Market Multiple Method
: Market Price Method

As per the Valuation Report issued by SPA VALUATION ADVISORS PRIVATE LIMITED, Below is the conclusion made by them:

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By: CapitalSquare Advisors Private Limited



As per the Valuation Report issued by SPA VALUATION ADVISORS PRIVATE LIMITED, Below is the conclusion made by them:

Approaches	Methods	Value per equity share (In INR)	Weights	Value per equity share adjusted weights (In INR)	Value per equity share (In INR)	Weights	Value per equity share adjusted weights (In INR)
Income Approach	Discounted Cash Flow Method	301.12	20.00 %	60.22	NA	0%	-
Market Approach	Comparable Companies Market Multiple Method	282.01	10.00 %	28.20	NA	0%	-
	Market Price Method	360.65	40.00 %	144.26	NA	0%	-
Assets Approach	Adjusted NAV Method	437.81	30.00 %	131.34	0.00	100%	0.00
Value per Equity Share as on July 31, 2023 (Share-Swap Ratio)				364.01			0



FINDINGS OF CAPITAL SQUARE ADVISORS PRIVATE LIMITED

We have gone through the valuation report dated October 30, 2023 of the Registered Valuer, for the purpose of ascertaining the reasonableness of the valuation as done by them. We have taken into consideration the fairness of the various methodologies as considered by the Registered Valuer for the said valuation.

Comment on the Valuation Approaches

Asset Approach

The Asset Approach is based on the value of an entity's assets less the value of its liabilities. Net asset value represents the value of the total equity and then may be divided by the number of shares outstanding held by company and, thereby, represent the net asset value per share. Keeping in mind the purpose of the report and availability of information we believe this valuation methodology will give a true and fair value per share.

Income Approach

In present case, Discounted Cash Flow (DCF) method has been used to arrive at a value as per Income Approach Method. The Income Approach involves valuation methods that convert future anticipated economic benefits into a single present value. In the present case the Registered Valuer has used Discounted Cash Flow ("DCF") Method to arrive at the value of shares. The DCF method discounts projected future cash earnings back to present value at a rate that reflects the risk inherent in the projected earnings.

Market Approach

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here in the selection of a comparable company since it is rare to find two or



more companies with the same product portfolio, size, capital structure, business strategy, profitability and accounting practices.

Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way comparable enterprises are valued by public markets. In the case of early-stage company and different business model the problem aggravates further.

Comment on Share Swap Ratio

UCL could not commence commercial operations due to cancellation of coal block and hence valuation approaches like Income Approach (Discounted Cash Flow method) and Market Approach (Comparable Companies Approach) couldn't be applied due to non-availability of future projections and peer set respectively. We believe that Net Asset Value Approach to arrive at valuation of UCL is the correct approach. UCL is expecting compensation from the Government. However, after considering the interest payment liabilities on the loan taken from IMFA, UCL has no residual value available post payment of pending liabilities. Hence NIL Equity value has been considered for UCL.

The Registered Valuer has used a combination of Income approach, Cost approach and Market approach and has ascertained the value of IMFA by assigning appropriate weightage to the valuation arrived at, through various valuation methodologies. Equity valuation of IMFA may increase if we consider that IMFA may get interest on the loan extended to UCL when UCL will get the compensation from the Government. However, in that circumstance also Equity value of UCL would be NIL.

Equity Valuation of UCL is NIL but the managements of both Transferee Company and Transferor Company have proposed that the Transferee Company shall, without any further application, act or deed, issue 100 (one hundred) equity shares of the Transferee Company as nominal consideration to all (and not each) the shareholders of the Transferor Company (other than the Transferee Company as a company cannot hold



shares in itself) in proportion to their shareholding in Transferor Company on the relevant Record Date which in our opinion is fair as per present facts & circumstances.

EXCLUSIONS AND LIMITATIONS

For the purpose of our opinion we have relied upon the information provided to us and have not carried out any audit/due diligence/any independent verification of such information.

DISCLAIMER

Our scope of work did not include the following: -

Carrying out a market survey/financial feasibility for the Business of Transferor Company or Transferee Company, Financial and Legal due diligence of Transferor Company or Transferee Company.

We hereby declare that we have no direct or indirect interest in the Transferor Company or Transferee Company / assets valued. Our work did not constitute an audit in accordance with Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services. Accordingly, we do not express any opinion on the information presented.

It may be noted that this Fairness Opinion is expressed solely with reference to requirements under Regulation 59A of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and the SEBI circular(s)/notification(s)/guideline(s) and the purpose and scope of this assignment is restricted to opine about fairness of valuation already done by the Registered Valuer.



The management of IMFA or UCL or their related parties are prohibited from using this opinion other than for its sole limited purpose and not to make a copy of this opinion available to any party other than those required by statute for carrying out the limited purpose of this opinion including making relevant disclosures to the Stock Exchange, SEBI, NCLT and other statutory, judicial and regulatory authorities, disclosing on the website of the Transferor Company and Transferee Company and further may also be made part of the notice/explanatory statement to be circulated to the shareholders and/or creditors of the Transferor Company and Transferee Company and in accordance with the applicable law. This opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified in this opinion, under any Indian or Foreign Law, Statute, Act, Guidelines or similar instructions. We would not be responsible for any litigation or other actual or threatened claims.

We have been engaged by the respective companies to issue a Fairness Opinion and will receive a fixed fee for rendering this Fairness Opinion, which is independent of the happening or otherwise of the proposed activities.

The Fairness Opinion Report is only a free and fair opinion and does not constitute a commitment by CASPL to underwrite, subscribe for or place of securities or to extend or arrange credit or to provide any other services.



CONCLUSION

On the basis of the Draft Scheme of Amalgamation and Valuation report issued by SPA VALUATION ADVISORS PRIVATE LIMITED, and subject to the contents of this document, our work as described herein, to the best of our knowledge and belief, we are of the opinion that, as of the date hereof, the Share Exchange Ratio, as recommended by the Registered Valuer, is fair in relation to the proposed Draft Scheme of Amalgamation.

For CapitalSquare Advisors Private Limited

M. B. P.



Authorized Signatory

Date: October 30, 2023