SCAN STEELS LIMITED

Fair Value of Equity Shares as on 28th January 2024

Madhumita Karar
Registered Valuer
IBBI/RV/06/2018/10341

MK/RV/2023-24/1025

29th January 2024

The Board of Directors
Scan Steels Limited
Office no. 104/105, E-Square Subhash Road,
Opposite - Havmore ice cream, Vile Parle,
Mumbai City, India – 400057

Dear Sir,

<u>VALUATION OF EQUITY SHARES OF SCAN STEELS LIMITED</u>

In terms of my engagement letter, valuation of equity shares of Scan Steels Limited **("the Company/SSL")** for the purpose of preferential allotment of Equity shares by the Company in accordance with Regulation 164 and 166A of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 has been duly carried out.

The valuation report is intended solely for the use by the Addressee of the report and my recommendation is based on the events and circumstances prevailing as on 28th January 2024.

I have performed a valuation engagement and presented my valuation report in conformity with the ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India (ICAI).

My analysis and recommendation should be understood in the context of the assumptions and the statements made in this report.

A more detailed description of the quantitative and qualitative analyses and valuation conclusion is presented in the attached narrative valuation opinion report.

Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as on the valuation date, it is concluded that the fair value of one equity share of Scan Steels Limited of Rs. 10/- each as on 28th January 2024 is **Rs. 70.53/-** per equity share.

A detailed valuation report is appended herewith.

Yours faithfully,

MADHUMITA KARAR
IBBI/RV/06/2018/10341
KOLKATA
REGISTERED VALUER

Madhumita Karar

Madhumita Karar
Registered Valuer- Securities or Financial Assets
IBBI/RV/06/2018/10341
UDIN: 24067844BKGZAT7596

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Executive Summary

Client Identity: Scan Steels Limited is a Public Company incorporated on 18th January 1994 having Corporate Identification No. (CIN): L27209MH1994PLC076015 and registered address at Office no. 104/105, E-Square Subhash Road, Opposite - Havmore ice cream, Vile Parle, Mumbai City – 400057. The Company is listed on the Bombay Stock Exchange having Authorized capital of Rs 70,00,00,000/-

Business Activity: Scan Steels Limited is primarily engaged in manufacturing of Iron & Steel products like MS Billets & TMT rods through secondary steel manufacturing route and over the years has improvised by using new technologies and processes to minimize the production cost and increase efficiencies.

Purpose of Valuation: The purpose of valuation is determination of the fair value of the equity shares of the Company for preferential allotment of shares.

Base of Value: Fair Value

Premise of Value: Going Concern

Date of Valuation: 28th January 2024

Conclusion: Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as of the valuation date, it is concluded that the fair value of one Equity Share of the Company of Rs. 10/- each as on 28th January 2024 is **Rs 70.53**/-

Company Background

Introduction

Scan Steels Limited is a Public Company incorporated on 18th January 1994 having Corporate Identification No. (CIN): L27209MH1994PLC076015 and registered address at Office no. 104/105, E-Square Subhash Road, Opposite - Havmore ice cream, Vile Parle, Mumbai City – 400057. The Company is listed on the Bombay Stock Exchange having Authorized capital of Rs 70,00,00,000/-

Scan Steels Limited is a renowned name in the Iron and Steel Industry at Odisha, backed by 26 years of experience in steel manufacturing using DRI method.

Shareholding pattern of Scan Steels Limited as on 28th January 2024.

Category	No of Shares	Percentage%
Promoters and Promoter Group (A)	2,51,84,499	48.11
Public (B)	2,71,67,796	51.89
Total (A) + (B)	**5,23,52,295**	**100.00**

Nature of Business

Scan Steels Limited is primarily engaged in manufacturing of Iron & Steel products like MS Billets & TMT rods through secondary steel manufacturing route and over the years has improvised by using new technologies and processes to minimize the production cost and increase efficiencies. The company is self-sufficient in almost all aspects of steel making mainly producing TMT rods used for construction activities across different sectors.

It has manufacturing facilities in three places in and around the industrial town of Rajgangpur, Odisha which is an integrated steel plant of One lakh tons of TMT manufacturing capacity having its own captive power plant with all other facilities like SMS & DRI units, required for steel making.

List of the Directors/Signatory of Scan Steels Limited as on 28th January 2024

S.NO	NAME	DESIGNATION	DIN/PAN
1	PUNIT KEDIA	Director	07501851
2	DEBJANI SAHU	Director	02674022
3	SHRAVAN KUMAR AGRAWAL	Director	09139761
4	GOBINDA CHANDRA NAYAK	CFO	-
5	RAJESH GADODIA	Director	00574465
6	ANKUR MADAAN	Whole - time Director	07002199
7	PRAVEEN KUMAR PATRO	Whole - time Director	02469361
8	PRABIR KUMAR DAS	Company Secretary	-

Industry Analysis

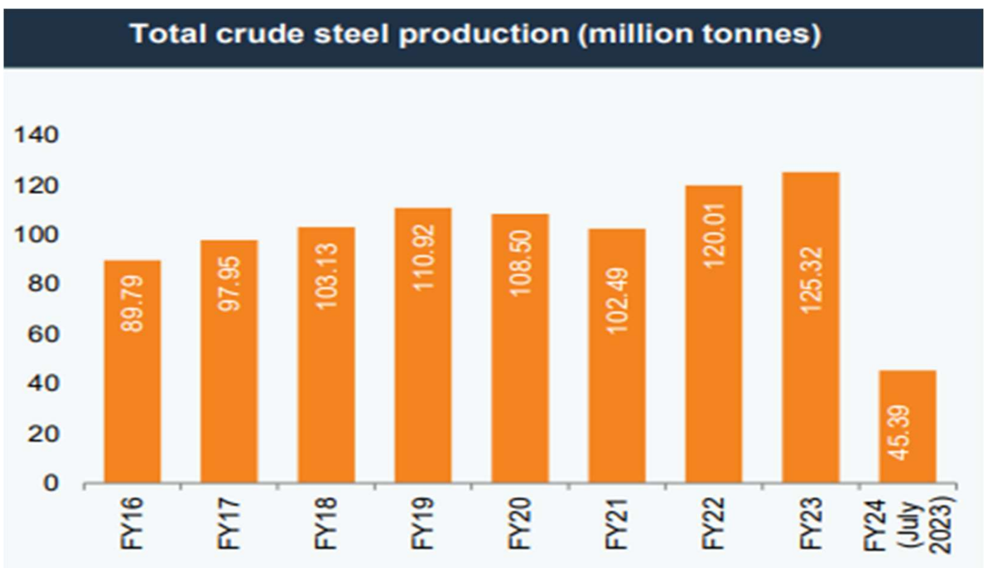
Steel has traditionally occupied a top spot among metals. Steel production and consumption are frequently seen as measures of a country's economic development because it is both a raw material and an intermediary product. Therefore, it would not be an exaggeration to argue that the steel sector has always been at the forefront of industrial progress and that it is the foundation of any economy. The Indian steel industry is classified into three categories - major producers, main producers and secondary producers.

India is the world's second-largest producer of crude steel, with an output of 125.32 MT of crude steel and finished steel production of 121.29 MT in FY23.

India's steel production is estimated to grow 4-7% to 123-127 MT in FY24.

The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is modern, with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels.



Valuer's Identity and appointment details

Name of the Valuer	Ms. Madhumita Karar
Address of the Valuer	Chatterjee International Centre, Flat No. 13, 17th Floor, 33-A, Jawaharlal Nehru Rd, Park Street area, Kolkata, West Bengal 700071
Contact Detail	9007064060
Email address	madhumita@kgrs.in
Qualifications	FCA, Insolvency Professional, Registered Valuer-SFA
IBBI Registration No	IBBI/RV/06/2018/10341
Independence and Disclosure of Interest	The undersigned is an independent valuer. There is no conflict - of interest. It is further stated that neither the undersigned nor the relatives /associates are related or associated with Scan Steels Limited.
Any other experts involved	No
Appointment of Valuer	Appointment as Valuer was done on 17th January 2024 by Management of Scan Steels Limited.
Date of Valuation	28th January 2024
Date of Report	29th January 2024
Currency	INR

Valuation Approaches, Methods & Bases

A. Valuation Approaches & Methods

As per paragraph 8 of the Indian Valuation Standard 103 - Valuation Approaches and Methods, of Indian Valuation Standards 2018 issued by The Institute of Chartered Accountants of India, there are three main valuation approaches:

1. Market approach;
2. Income approach; and
3. Cost approach.

1. 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.

The following valuation methods are commonly used under the market approach:

a) Market Price Method;
b) Comparable Companies Multiple (CCM) Method; and
c) Comparable Transaction Multiple (CTM) Method;

a) Market Price Method

Under this method a valuer shall consider the traded price observed over a reasonable period while valuing assets which are traded in the active market. A valuer shall also consider the market where the trading volume of asset is the highest when such asset is traded in more than one active market. A valuer shall also consider the market where the trading volume of asset is the highest when such asset is traded in more than one active market.

b) Comparable Companies Multiple (CCM) Method

Comparable Companies Multiple Method, also known as Guideline Public Company Method, involves valuing an asset based on market multiples derived from prices of market comparables traded on active market.

c) Comparable Transaction Multiple (CTM) Method

Comparable Transaction Multiple Method, also known as 'Guideline Transaction Method' involves valuing an asset based on transaction multiples derived from prices paid in transactions of asset to be valued /market comparable (comparable transactions).

2. Income Approach

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 capitalised) amount.

The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

This approach involves discounting future amounts (cash flows/income/cost savings) to a single present value.

Some of the common valuation methods of equity share valuation under income approach are as follows:

a) Discounted Cash Flow (DCF) Method;
b) Relief from Royalty (RFR) Method;
c) Multi-Period Excess Earnings Method (MEEM);
d) With and Without Method (WWM) and

a) Discounted Cash Flow ('DCF') Method

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with indefinite life.

The DCF method is one of the most common methods for valuing various assets such as shares, businesses, real estate projects, debt instruments, etc.

b) Relief from Royalty (RFR) Method

RFR Method is a method in which the value of the asset is estimated based on the present value of royalty payments saved by owning the asset instead of taking it on lease. It is generally adopted for valuing intangible assets that are subject to licensing, such as trademarks, patents, brands, etc.

c) Multi-Period Excess Earnings Method (MEEM)

MEEM is generally used for valuing intangible asset that is leading or the most significant intangible asset out of group of intangible assets being valued.

d) With and Without Method (WWM)

Under WWM, the value of the intangible asset to be valued is equal to the present value of the difference between the projected cash flows over the remaining useful life of the asset under the following two scenarios:

i. business with all assets in place including the intangible asset to be valued; and
ii. business with all assets in place except the intangible asset to be valued.

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 asset (often referred to as current replacement cost).
Two most commonly used valuation methods under the Cost approach:

a) Replacement Cost Method; and
b) Reproduction Cost Method.

a) Replacement Cost Method

Replacement Cost Method, also known as 'Depreciated Replacement Cost Method' involves valuing an asset based on the cost that a market participant shall have to incur to recreate an asset with substantially the same utility (comparable utility) as that of the asset to be valued, adjusted for obsolescence.

b) Reproduction Cost Method

Reproduction Cost Method involves valuing an asset based on the cost that a market participant shall have to incur to recreate a replica of the asset to be valued, adjusted for obsolescence.

B. <u>Valuation Bases</u>

As per paragraph 14 of the Indian Valuation Standard 102 - Valuation Bases, of Indian Valuation Standards 2018 issued by The Institute of Chartered Accountants of India, 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. Therefore, it is important for the valuer to identify the bases of value pertinent to the engagement. This Standard defines the following valuation bases:

a) Fair value;
b) Participant specific value; and
c) Liquidation value

a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. Fair value is the price in an orderly transaction in the principal (or most advantageous) market at the valuation date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

b) Participant Specific Value

Participant specific value is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants.

c) Liquidation Value

Liquidation value is the amount that will be realised on sale of an asset or a group of assets when an actual/hypothetical termination of the business is contemplated/assumed.
Liquidation value can be carried out under the premise of an orderly transaction with a typical marketing period or under the premise of forced transaction with a shortened marketing period.

The valuer must disclose whether an orderly or forced transaction is assumed. The net amount is determined after considering estimated cost of disposal.

C. <u>Premise of Value</u>

As per paragraph 37 of the Indian Valuation Standard 102 - Valuation Bases, of Indian Valuation Standards 2018 issued by The Institute of Chartered Accountants of India, Premise of Value refers to the conditions and circumstances how an asset is deployed. In a given set of circumstances, a single premise of value may be adopted while in some situations multiple premises of value may be adopted. Some common premises of value are as follows:

a) highest and best use;
b) going concern value;
c) as is where is value;
d) orderly liquidation; or
e) forced transaction.

a) Highest and Best Use

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

b) Going Concern Value

Going concern value is the value of a business enterprise that is expected to continue to operate in the future.

c) As-is-where-is Basis

As-is-where-is basis will consider the existing use of the asset which may or may not be its highest and best use.

d) Orderly Liquidation

An orderly liquidation refers to the realisable value of an asset in the event of a liquidation after allowing appropriate marketing efforts and a reasonable period of time to market the asset on an as-is, where-is basis.

e) Forced transaction

Forced transaction is a transaction where a seller is under constraints to sell an asset without appropriate marketing period or effort to market such asset.

The approach, method, base and premise of value is selected after considering the terms and purpose of the valuation engagement.

D. <u>Discount for Lack of Marketability (DLOM)</u>

DLOM is based on the premise that an asset which is readily marketable (such as frequently traded securities) commands a higher value than an asset which requires longer marketing period to be sold (such as securities of an unlisted entity) or an asset having restriction on its ability to sell (such as securities under lock-in-period or regulatory restrictions).

Determining an appropriate level of DLOM can be a complex and subjective process. Accordingly, the specific nature and characteristics of the asset and the facts and circumstances surrounding the valuation should be considered.

E. <u>Control Premium and Discount for Lack of Control (DLOC)</u>

Control Premium generally represents the amount paid by acquirer for the benefits it would derive by controlling the acquiree's assets and cash flows.

Control Premium is an amount that a buyer is willing to pay over the current market price of a publicly-traded company to acquire a controlling interest in an asset. It is opposite of discount for lack of control to be applied in case of valuation of a non-controlling/minority interest.

Valuation Methodology:

Valuation Methodology has been considered based on the nature and purpose of the valuation.

Asset Approach:

The Asset based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on an Adjusted Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes historical cost of net assets only without recognizing its present earnings, comparative financial performance of its peers and their enterprise values etc.

Under Assets approach valuation has been carried out under Adjusted book value method based on the latest available accounts of the Company. The price per equity share of the Company under Adjusted book value method is Rs. 71.62/-.

Market Approach:

a) Comparable Companies Multiple (CCM) Method

Scan Steels Limited is listed on the Bombay Stock Exchange Limited where price of such shares is determined by the market forces i.e. the demand & supply of the shares among the buyers and Sellers. Stock Exchange is one of the most efficient platforms where the price of the shares is determined by market forces and not by assumptions as required in Income approach, therefore we have used Comparable Companies method and Market Price method in accordance with the regulations of SEBI (ICDR) Regulations for valuation of equity share of Scan Steels Limited.

Under CCM Method value of equity share has been computed using PE multiples. The price per equity share of the Company under PE multiple method is Rs. 69.45/-

b) Market Price Method

SSL is listed on the BSE Limited and price of such shares is determined by the market forces i.e. the demand & supply of the shares among the buyers and Sellers. Stock Exchange is one of the most efficient platforms where the price of the shares is determined by market forces and not by assumptions as required in Income approach, therefore the most suitable approach for valuation of equity share of SSL is Market Approach.

Under the Market Approach, Market Price Method has been adopted, wherein the traded price, market price and volume of the stock are observed over a reasonable period while valuing assets which are traded in the Active Market. The pricing guideline of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations,2018 (SEBI ICDR) have been relied upon for valuing the equity share of SSL under the Market Price Method.

As per the Regulation 164 of the SEBI ICDR the pricing guideline for Pricing of frequently traded shares are as follows:

If the equity shares of the issuer have been listed on a recognised stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

a) The 90 trading days' volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or

b) The 10 trading days' volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

<u>As per Regulation 2(j) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011:</u>

"Frequently traded shares" means shares of a target company, in which the traded turnover on any stock exchange during the twelve calendar months preceding the calendar month in which the public announcement 4 [is required to be made under these regulations], is at least ten per cent of the total number of shares of such class of the target company:

Provided that where the share capital of a particular class of shares of the target company is not identical throughout such period, the weighted average number of total shares of such class of the target company shall represent the total number of shares.

Since the equity shares of SSL is frequently traded in the recognised stock exchanges, market approach has been duly considered for the valuation of the equity shares of the Company.

Valuation of Equity Share of Scan Steels Limited as per the SEBI ICDR

Amount in Rs.

Sl No.	Dates	Volume Weighted Average Price (a)	Total Traded Quantity (b)	Total Value (a*b)
1	25-Jan-24	72.01	62,408	44,93,883
2	24-Jan-24	70.07	84,152	58,96,580
3	23-Jan-24	68.21	34,838	23,76,359
4	20-Jan-24	69.12	13,771	9,51,854
5	19-Jan-24	69.32	38,894	26,96,066
6	18-Jan-24	69.08	26,292	18,16,126
7	17-Jan-24	71.54	26,465	18,93,322
8	16-Jan-24	73.29	1,38,028	1,01,16,665
9	15-Jan-24	70.47	1,47,744	1,04,11,413
10	12-Jan-24	66.91	73,148	48,94,122
11	11-Jan-24	63.29	78,814	49,87,800
12	10-Jan-24	61.67	6,388	3,93,973
13	09-Jan-24	62.05	35,952	22,30,691
14	08-Jan-24	62.91	33,757	21,23,602
15	05-Jan-24	61.94	61,428	38,04,657
16	04-Jan-24	59.24	29,378	17,40,367
17	03-Jan-24	59.29	9,649	5,72,050
18	02-Jan-24	58.27	42,207	24,59,235
19	01-Jan-24	59.53	14,402	8,57,293
20	29-Dec-23	59.54	32,726	19,48,476
21	28-Dec-23	58.62	91,600	53,69,973
22	27-Dec-23	57.84	20,643	11,93,924
23	26-Dec-23	57.02	7,374	4,20,453
24	22-Dec-23	56.54	29,009	16,40,139
25	21-Dec-23	56.03	5,521	3,09,349
26	20-Dec-23	58.34	27,542	16,06,829
27	19-Dec-23	58.92	15,994	9,42,314
28	18-Dec-23	57.92	13,528	7,83,543
29	15-Dec-23	57.96	24,298	14,08,334
30	14-Dec-23	58.90	74,004	43,58,662
31	13-Dec-23	55.87	11,235	6,27,680
32	12-Dec-23	55.31	15,844	8,76,302
33	11-Dec-23	55.93	11,853	6,62,980
34	08-Dec-23	56.34	11,035	6,21,725
35	07-Dec-23	55.79	9,919	5,53,393
36	06-Dec-23	55.91	23,097	12,91,378
37	05-Dec-23	55.46	16,743	9,28,489
38	04-Dec-23	56.93	13,581	7,73,136
39	01-Dec-23	57.40	29,915	17,17,079
40	30-Nov-23	55.43	74,311	41,19,147
41	29-Nov-23	55.67	24,465	13,62,070
42	28-Nov-23	57.70	21,116	12,18,290
43	24-Nov-23	59.15	6,205	3,67,054
44	23-Nov-23	58.83	13,868	8,15,862
45	22-Nov-23	59.59	17,636	10,50,955
46	21-Nov-23	60.67	13,927	8,44,953
47	20-Nov-23	61.99	10,704	6,63,507

Sl No.	Dates	Volume Weighted Average Price (a)	Total Traded Quantity (b)	Total Value (a*b)
48	17-Nov-23	61.89	31,612	19,56,374
49	16-Nov-23	62.94	25,132	15,81,911
50	15-Nov-23	64.64	66,900	43,24,660
51	13-Nov-23	65.46	7,031	4,60,236
52	12-Nov-23	66.00	16,955	11,19,104
53	10-Nov-23	65.77	11,205	7,36,933
54	09-Nov-23	65.48	7,772	5,08,924
55	08-Nov-23	66.44	16,736	11,11,942
56	07-Nov-23	68.18	11,432	7,79,467
57	06-Nov-23	67.33	17,296	11,64,607
58	03-Nov-23	67.20	57,863	38,88,233
59	02-Nov-23	64.41	21,008	13,53,158
60	01-Nov-23	65.05	13,534	8,80,396
61	31-Oct-23	64.32	64,470	41,46,555
62	30-Oct-23	63.25	15,011	9,49,467
63	27-Oct-23	62.17	83,912	52,16,675
64	26-Oct-23	59.76	49,286	29,45,444
65	25-Oct-23	62.63	51,558	32,29,092
66	23-Oct-23	66.57	28,443	18,93,467
67	20-Oct-23	70.78	67,273	47,61,809
68	19-Oct-23	72.70	31,843	23,14,852
69	18-Oct-23	73.32	87,797	64,37,006
70	17-Oct-23	73.22	65,738	48,13,200
71	16-Oct-23	73.41	2,68,828	1,97,35,217
72	13-Oct-23	73.64	1,16,906	86,09,275
73	12-Oct-23	73.11	1,32,277	96,70,338
74	11-Oct-23	76.62	5,34,019	4,09,13,942
75	10-Oct-23	75.10	10,95,395	8,22,59,071
76	09-Oct-23	63.08	6,43,764	4,06,08,904
77	06-Oct-23	61.01	8,13,001	4,96,03,469
78	05-Oct-23	57.40	5,39,767	3,09,82,193
79	04-Oct-23	55.06	8,44,615	4,65,03,963
80	03-Oct-23	55.83	6,52,165	3,64,10,256
81	29-Sep-23	51.50	2,35,598	1,21,34,384
82	28-Sep-23	51.99	4,22,297	2,19,53,454
83	27-Sep-23	52.62	7,04,562	3,70,73,084
84	26-Sep-23	48.97	5,83,945	2,85,94,778
85	25-Sep-23	45.62	71,579	32,65,605
86	22-Sep-23	43.56	30,557	13,31,208
87	21-Sep-23	43.15	15,754	6,79,860
88	20-Sep-23	42.63	48,498	20,67,516
89	18-Sep-23	43.92	14,681	6,44,852
90	15-Sep-23	44.65	49,567	22,13,096
TOTAL			**1,02,92,990**	**63,50,20,031**

Amount in Rs.

Particulars	Details
90 Days VWAP	61.69
10 Days VWAP	70.53
As per SEBI ICDR price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the above	**70.53**

Value Conclusion

SL No	Valuation Approach	Value per Share (Rs)	WEIGHT	WEIGHT X PRICE
1	Market Price Method	70.53	1.00	70.53
2	Comparable Multiples Method (P/E)	69.45	1.00	69.45
3	Adjusted Book Value Method	71.62	0.50	35.81
	TOTAL		**2.50**	**175.8**
AVERAGE PRICE PER SHARE				**70.32**
As per Regulation 166A of SEBI (ICDR) the floor price of per equity share is				**70.53**

** A quoted price in an active market provides the most reliable evidence of fair value and weights have been assigned accordingly.*

As per Regulation 166A of SEBI (ICDR) Regulations, 2018:

Any preferential issue, which may result in a change in control or allotment of more than five per cent of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price:

Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable:

Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso:

Therefore, the floor price per share is Rs. 70.53/-

Recommended Value

The recommended value of one Equity Shares of the Company of face value of Rs 10/- each as on 28th January 2024 is Rs 70.53/- per equity share.

Sources of Information

The following information and documents are being used in this appraisal:

- Discussions with the Company's Management.
- Audited financial statements
- Provisional Accounts
- BSE/NSE Portals
- Various Website
- Other Documents

Independence of Appraiser

I am independent of the Company and its fee for this report is not contingent in anyway upon the opinion of realisable value of the equity shares of SSL to be valued. I am not aware of any conflicts of interest. My engagement does not in any way preclude the Client from seeking other independent opinions of the realisable value of the equity shares of SSL from other sources.

Contingent and Limiting Conditions

This appraisal is made subject to the following general contingent and limiting conditions:

1. The analyses, opinions, and conclusions presented in this report apply to this engagement only and may not be used out of the context presented herein. This report is valid only for the effective date specified herein and only for the purpose specified herein.

2. Public information, estimates, industry and statistical information contained in this report have been obtained from sources considered to be reliable. However, I independently did not verify such information and make no representation as to the accuracy or completeness of such information obtained from or provided by such sources.

3. The company and its representatives warranted to me that the information supplied to me was complete and accurate to the best of their knowledge and that the financial information properly reflects the business conditions and operating results for the respective periods in accordance with the generally accepted accounting principles. Information supplied to me has been accepted as correct without any further verification.

4. Financial information of the subject company is included solely to assist in the development of a value conclusion presented in this report and should not be used to obtain credit or for other

purpose. Because of the limited purpose of the information presented, it may be incomplete and contain departures from the generally accepted accounting principles.

5. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any purpose by anyone other than those enumerated in this report without my written consent. This report and the conclusion of the value arrived at herein are for the exclusive use of the client for the sole and specific purposes as noted herein.
6. I do not provide assurance on the achievability of the results forecasted by the client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

7. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange or diminution of the owner's participation would not materially or significantly change.

8. This report and the conclusion of the value arrived at herein are for the exclusive use of the client's sole and specific purpose as noted herein.

9. The report and the conclusion of the value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of the registered valuer, based on information furnished by the client and other sources.

10. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s) or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without my approval

11. This valuation reflects the facts and conditions existing or reasonably foreseeable at the valuation date. Subsequent events have not been considered, and I have no obligation to update the report for such events and conditions.

12. The analyst, by reason of this valuation, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

13. The engagement for this valuation consulting work does not include any procedures designed to discover any defalcations or other irregularities, should any exist.

14. No change in any item in this valuation/conclusion report shall be made by anyone other than me and I shall have no responsibility for any such unauthorized change.

15. It is assumed that there is full compliance with all applicable central, state, and local environmental regulations and laws unless non- compliance is stated, defined, and considered in the report.

16. I assume no responsibility concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this respect.

17. I have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report.
18. I have made no investigation of title to property and assume that the owner's claim to the property is valid. I have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all asset.

SCAN STEELS LIMITED

Fair Value of Optionally Convertible Redeemable Preference Shares as on 28th January 2024

Madhumita Karar
Registered Valuer
IBBI/RV/06/2018/10341

MK/RV/2023-24/1026

29th January 2024

The Board of Directors
Scan Steels Limited
Office no. 104/105, E-Square Subhash Road,
Opposite - Havmore ice cream, Vile Parle,
Mumbai City, India – 400057

Dear Sir,

VALUATION OF OPTIONALLY CONVERTIBLE REDEEMABLE PREFERENCE SHARES OF SCAN STEELS LIMITED

In terms of my engagement letter, valuation of Optionally Convertible Redeemable Preference shares of Scan Steels Limited **("the Company/SSL")** for the purpose of varying the terms of a Non-Convertible Redeemable Preference Shares **("NCRPS")** to Optionally Convertible Redeemable Preference Shares **("OCRPS")** in accordance with applicable provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 has been duly carried out.

The valuation report is intended solely for the use by the Addressee of the report and my recommendation is based on the events and circumstances prevailing as on 28th January 2024.

I have performed a valuation engagement and presented my valuation report in conformity with the ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India (ICAI).

My analysis and recommendation should be understood in the context of the assumptions and the statements made in this report.

A more detailed description of the quantitative and qualitative analyses and valuation conclusion is presented in the attached narrative valuation opinion report.

Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as on the valuation date, it is concluded that the fair value of one OCRPS of Scan Steels Limited of Rs. 10/- each as on 28th January 2024 is **Rs. 70.51/-** per OCRPS.

A detailed valuation report is appended herewith.

Yours faithfully,

Madhumita Karar

MADHUMITA KARAR IBBI/RV/06/2018/10341 KOLKATA REGISTERED VALUER

Madhumita Karar
Registered Valuer- Securities or Financial Assets
IBBI/RV/06/2018/10341
UDIN: 24067844BKGZAU4591

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Executive Summary

Client Identity:	Scan Steels Limited is a Public Company incorporated on 18th January 1994 having Corporate Identification No. (CIN): L27209MH1994PLC076015 and registered address at Office no. 104/105, E-Square Subhash Road, Opposite - Havmore ice cream, Vile Parle, Mumbai City – 400057. The Company is listed on the Bombay Stock Exchange having Authorized capital of Rs 70,00,00,000/-
Business Activity:	Scan Steels Limited is primarily engaged in manufacturing of Iron & Steel products like MS Billets & TMT rods through secondary steel manufacturing route and over the years has improvised by using new technologies and processes to minimize the production cost and increase efficiencies.
Purpose of Valuation:	The purpose of valuation is determination of the fair value of the Optionally Convertible Redeemable Preference Shares.
Base of Value:	Fair Value
Premise of Value:	Going Concern
Date of Valuation:	28th January 2024
Conclusion:	Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as of the valuation date, it is concluded that the fair value of one OCRPS of the Company of Rs. 10/- each as on 28th January 2024 is **Rs 70.51**/-

Company Background

Introduction

Scan Steels Limited is a Public Company incorporated on 18th January 1994 having Corporate Identification No. (CIN): L27209MH1994PLC076015 and registered address at Office no. 104/105, E-Square Subhash Road, Opposite - Havmore ice cream, Vile Parle, Mumbai City – 400057. The Company is listed on the Bombay Stock Exchange having Authorized capital of Rs 70,00,00,000/-

Scan Steels Limited is a renowned name in the Iron and Steel Industry at Odisha, backed by 26 years of experience in steel manufacturing using DRI method.

Shareholding pattern of Scan Steels Limited as on 28th January 2024.

Category	No of Shares	Percentage%
Promoters and Promoter Group (A)	2,51,84,499	48.11
Public (B)	2,71,67,796	51.89
Total (A) + (B)	**5,23,52,295**	**100.00**

Nature of Business

Scan Steels Limited is primarily engaged in manufacturing of Iron & Steel products like MS Billets & TMT rods through secondary steel manufacturing route and over the years has improvised by using new technologies and processes to minimize the production cost and increase efficiencies. The company is self-sufficient in almost all aspects of steel making mainly producing TMT rods used for construction activities across different sectors.

It has manufacturing facilities in three places in and around the industrial town of Rajgangpur, Odisha which is an integrated steel plant of One lakh tons of TMT manufacturing capacity having its own captive power plant with all other facilities like SMS & DRI units, required for steel making.

List of the Directors/Signatory of Scan Steels Limited as on 28th January 2024

S.NO	NAME	DESIGNATION	DIN/PAN
1	PUNIT KEDIA	Director	07501851
2	DEBJANI SAHU	Director	02674022
3	SHRAVAN KUMAR AGRAWAL	Director	09139761
4	GOBINDA CHANDRA NAYAK	CFO	-
5	RAJESH GADODIA	Director	00574465
6	ANKUR MADAAN	Whole - time Director	07002199
7	PRAVEEN KUMAR PATRO	Whole - time Director	02469361
8	PRABIR KUMAR DAS	Company Secretary	-

Industry Analysis

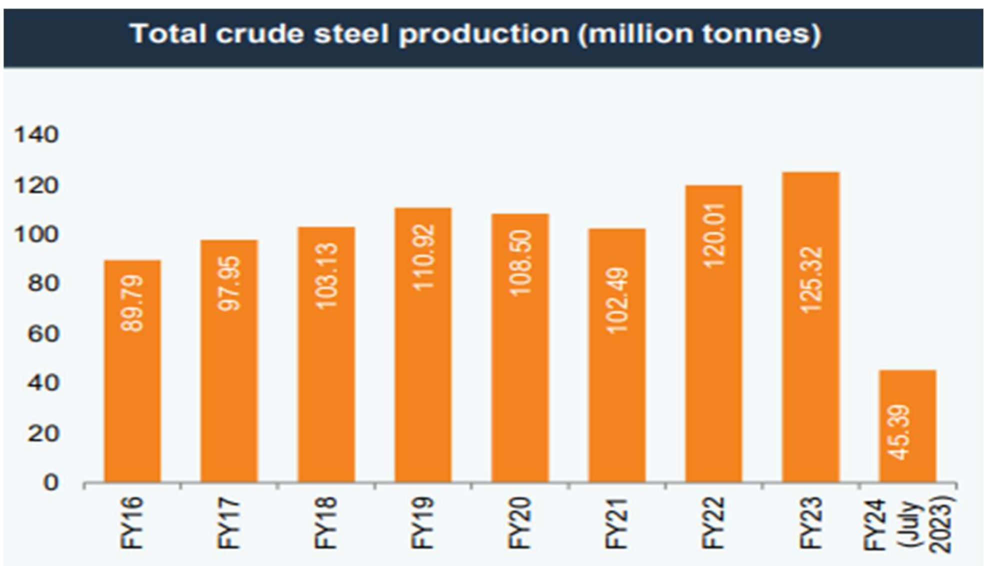
Steel has traditionally occupied a top spot among metals. Steel production and consumption are frequently seen as measures of a country's economic development because it is both a raw material and an intermediary product. Therefore, it would not be an exaggeration to argue that the steel sector has always been at the forefront of industrial progress and that it is the foundation of any economy. The Indian steel industry is classified into three categories - major producers, main producers and secondary producers.

India is the world’s second-largest producer of crude steel, with an output of 125.32 MT of crude steel and finished steel production of 121.29 MT in FY23.

India’s steel production is estimated to grow 4-7% to 123-127 MT in FY24.

The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is modern, with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels.



Valuer's Identity and appointment details

Name of the Valuer	Ms. Madhumita Karar
Address of the Valuer	Chatterjee International Centre, Flat No. 13, 17th Floor, 33-A, Jawaharlal Nehru Rd, Park Street area, Kolkata, West Bengal 700071
Contact Detail	9007064060
Email address	madhumita@kgrs.in
Qualifications	FCA, Insolvency Professional, Registered Valuer-SFA
IBBI Registration No	IBBI/RV/06/2018/10341
Independence and Disclosure of Interest	The undersigned is an independent valuer. There is no conflict - of interest. It is further stated that neither the undersigned nor the relatives /associates are related or associated with Scan Steels Limited.
Any other experts involved	No
Appointment of Valuer	Appointment as Valuer was done on 17th January 2024 by Management of Scan Steels Limited.
Date of Valuation	28th January 2024
Date of Report	29th January 2024
Currency	INR

Valuation Approaches, Methods & Bases

A. Valuation Approaches & Methods

As per paragraph 8 of the Indian Valuation Standard 103 - Valuation Approaches and Methods, of Indian Valuation Standards 2018 issued by The Institute of Chartered Accountants of India, there are three main valuation approaches:

1. Market approach;
2. Income approach; and
3. Cost approach.

1. 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.

The following valuation methods are commonly used under the market approach:

a) Market Price Method;
b) Comparable Companies Multiple (CCM) Method; and
c) Comparable Transaction Multiple (CTM) Method;

a) Market Price Method

Under this method a valuer shall consider the traded price observed over a reasonable period while valuing assets which are traded in the active market. A valuer shall also consider the market where the trading volume of asset is the highest when such asset is traded in more than one active market. A valuer shall also consider the market where the trading volume of asset is the highest when such asset is traded in more than one active market.

b) Comparable Companies Multiple (CCM) Method

Comparable Companies Multiple Method, also known as Guideline Public Company Method, involves valuing an asset based on market multiples derived from prices of market comparables traded on active market.

c) Comparable Transaction Multiple (CTM) Method

Comparable Transaction Multiple Method, also known as 'Guideline Transaction Method' involves valuing an asset based on transaction multiples derived from prices paid in transactions of asset to be valued /market comparable (comparable transactions).

2. Income Approach

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 capitalised) amount.

The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

This approach involves discounting future amounts (cash flows/income/cost savings) to a single present value.

Some of the common valuation methods of share valuation under income approach are as follows:

a) Discounted Cash Flow (DCF) Method;
b) Relief from Royalty (RFR) Method;
c) Multi-Period Excess Earnings Method (MEEM);
d) With and Without Method (WWM) and

a) Discounted Cash Flow ('DCF') Method

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with indefinite life.

The DCF method is one of the most common methods for valuing various assets such as shares, businesses, real estate projects, debt instruments, etc.

b) Relief from Royalty (RFR) Method

RFR Method is a method in which the value of the asset is estimated based on the present value of royalty payments saved by owning the asset instead of taking it on lease. It is generally adopted for valuing intangible assets that are subject to licensing, such as trademarks, patents, brands, etc.

c) Multi-Period Excess Earnings Method (MEEM)

MEEM is generally used for valuing intangible asset that is leading or the most significant intangible asset out of group of intangible assets being valued.

d) With and Without Method (WWM)

Under WWM, the value of the intangible asset to be valued is equal to the present value of the difference between the projected cash flows over the remaining useful life of the asset under the following two scenarios:

i. business with all assets in place including the intangible asset to be valued; and
ii. business with all assets in place except the intangible asset to be valued.

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 asset (often referred to as current replacement cost).
Two most commonly used valuation methods under the Cost approach:

a) Replacement Cost Method; and
b) Reproduction Cost Method.

a) Replacement Cost Method

Replacement Cost Method, also known as 'Depreciated Replacement Cost Method' involves valuing an asset based on the cost that a market participant shall have to incur to recreate an asset with substantially the same utility (comparable utility) as that of the asset to be valued, adjusted for obsolescence.

b) Reproduction Cost Method

Reproduction Cost Method involves valuing an asset based on the cost that a market participant shall have to incur to recreate a replica of the asset to be valued, adjusted for obsolescence.

B. <u>Valuation Bases</u>

As per paragraph 14 of the Indian Valuation Standard 102 - Valuation Bases, of Indian Valuation Standards 2018 issued by The Institute of Chartered Accountants of India, 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. Therefore, it is important for the valuer to identify the bases of value pertinent to the engagement. This Standard defines the following valuation bases:

a) Fair value;
b) Participant specific value; and
c) Liquidation value

a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. Fair value is the price in an orderly transaction in the principal (or most advantageous) market at the valuation date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

b) Participant Specific Value

Participant specific value is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants.

c) Liquidation Value

Liquidation value is the amount that will be realised on sale of an asset or a group of assets when an actual/hypothetical termination of the business is contemplated/assumed.
Liquidation value can be carried out under the premise of an orderly transaction with a typical marketing period or under the premise of forced transaction with a shortened marketing period.

The valuer must disclose whether an orderly or forced transaction is assumed. The net amount is determined after considering estimated cost of disposal.

C. Premise of Value

As per paragraph 37 of the Indian Valuation Standard 102 - Valuation Bases, of Indian Valuation Standards 2018 issued by The Institute of Chartered Accountants of India, Premise of Value refers to the conditions and circumstances how an asset is deployed. In a given set of circumstances, a single premise of value may be adopted while in some situations multiple premises of value may be adopted. Some common premises of value are as follows:

a) highest and best use;
b) going concern value;
c) as is where is value;
d) orderly liquidation; or
e) forced transaction.

a) Highest and Best Use

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

b) Going Concern Value

Going concern value is the value of a business enterprise that is expected to continue to operate in the future.

c) As-is-where-is Basis

As-is-where-is basis will consider the existing use of the asset which may or may not be its highest and best use.

d) Orderly Liquidation

An orderly liquidation refers to the realisable value of an asset in the event of a liquidation after allowing appropriate marketing efforts and a reasonable period of time to market the asset on an as-is, where-is basis.

e) Forced transaction

Forced transaction is a transaction where a seller is under constraints to sell an asset without appropriate marketing period or effort to market such asset.

The approach, method, base and premise of value is selected after considering the terms and purpose of the valuation engagement.

Valuation Methodology:

Valuation Methodology has been considered based on the nature and purpose of the valuation**:**

Asset Approach:

The Asset based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on an Adjusted Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. However, this methodology recognizes historical cost of net assets only without recognizing its present earnings, comparative financial performance of its peers and their enterprise values etc.

This valuation approach is mainly used in cases where the firm is to be liquidated i.e., it does not meet the “Going concern” criteria or in case where the assets base dominates earnings capability.

Since the Company is deriving its income from its operations, hence Asset Based Method is not being used.

Market Approach:

As stated in the preceding paragraphs Market Based Approach depends upon the comparables of the similar listed companies which is not available for the valuing instrument hence Market Based method is not being used.

Income Approach:

The DCF method being the most appropriate method under Income Approach is selected for the purpose of valuation. DCF approach is based on the theory that the total value of the instrument is the present value of its projected future cash flows, plus the present value of the redeemable value.

Discounted Cash Flow Method:

Discounted cash flow (DCF) is a valuation method used to estimate the value of an instrument based on its future cash flows. The purposes of DCF analysis are to estimate the money an investor would receive from an instrument, adjusted for the time value of money.

DCF analysis finds the present value of expected future cash flows from the instrument using a discount rate. The discount rate is the investment rate of return that is applied to calculate the present value of the investment. In other words, the discount rate would be the forgone rate of return if an investor chose to accept an amount in the future versus the same amount today.

Present value method is used to calculate the value of the OCRPS (without options). Present value (PV) is the value of an expected income stream determined as of the date of valuation. It is the current worth of a future sum of money or stream of cash flows given a specified rate of return. Future cash flows are discounted at the appropriate discount rate.

Terms of Optionally Convertible Redeemable Preference Shares (OCRPS) arising out of alteration in terms of 62,50,000 Non-Convertible Redeemable Preference Shares

Particulars	Details
Nature of securities	62,50,000 Optionally Convertible Redeemable Preference Shares ("OCRPS") having face value of Rs. 10/- (Rupees Ten Only)
Nature of such shares i.e. cumulative or non-cumulative, participating or nonparticipating, convertible or nonconvertible	Convertible into equity shares at the option of the OCRPS Holders. Till the time conversion is not exercised, the OCRPS shall be non- cumulative and non-participating
Purpose of the Issue	The OCRPS are issued pursuant to alteration in the terms of Non-convertible Redeemable Preference Shares of the Company.
Applicable Laws	● Section 42, 55, 62 (1) (c), 177 and 179 of the Companies Act, 2013 ('Act') ● SEBI ICDR Regulations ● SEBI LODR Regulations ● SEBI PIT Regulations ● Any other applicable laws
Dividend Rate	1% yearly on face value.
Mode of issuance	OCRPS are being issued pursuant to alteration in the terms of NCRPS under private placement mode
Terms of conversion	Each OCRPS shall be convertible into one no. of equity shares of Rs. 10 each of the Company at the option of the holders at any time on or before the remaining period of NCRPS.
Terms of redemption, including the tenure of redemption, redemption of shares at premium	In case the option of conversion is not exercised by the OCRPS holder within conversion period, the OCRPS shall be redeemed out of the sources provided for under applicable provisions of law within 7-10 days from the end of the period available for conversion, at a price not less than the price of Rs. 90/- (Rupees Ninety Only).
Ranking of Equity shares	The Equity Shares to be allotted upon conversion of the OCRPs shall rank pari-passu with the existing Equity Shares of the Company in all respects, including in respect of voting rights and dividend payment, rights on winding-up.
Variation in terms	The terms of OCRPS herein cannot be altered without the express and mutual consent of the Investor/ Holder and the Issuer.

The formula of calculating PV is follows:

$$PV = \frac{CF}{(1+r)^n}$$

Where,

- CF = Cash flow at the period n
- r = Discount rate**
- n=number of periods

Calculation of r		**Source**
Risk free return-(10 year GOI Bond yield)	7.17%	investing.com
Zero Coupon Bond Spread BBB+	4.10%	FIMMDA
r = Discount rate	**11.27%**	

Fair value of one OCRPS as on 28th January, 2024 is Rs. 84.78

Option Pricing Method:

For the fair valuation of the options, any option pricing model like the Black Scholes Model or Bionomial Model etc. can be used. These models compute the value of the option as the difference between the likely value of shares at the time of exercise of option as discounted to present value and the present value of exercise price of the option.

In this case Black Scholes Model is used for valuing the options.

Black Scholes Model

A model of price variation over time of financial instruments such as stocks that can, among other things, be used to determine the price of a European call option. The model assumes that the price of heavily traded assets follows a geometric Brownian motion with constant drift and volatility. When applied to a stock option, the model incorporates the constant price variation of the stock, the time value of money, the option's strike price and the time to the option's expiry.

The Black-Scholes formula is as follows:

$$\mathbf{P = X\, e^{-rT}\, N(d2) - S\, N(d1)}$$

Where

P = price of the put option
S = price of the underlying stock
X = option exercise price
r = risk-free interest rate
T = current time until option expiration
N() = area under the normal curve
e = exponential term (2.7183)
$d1 = [\ \ln(S/X) + (r + \sigma^2/2)\ T\ ] / \sigma\ T^{1/2}$
$d2 = d1 - \sigma\ T^{1/2}$
σ = standard deviation of stock returns
ln = natural logarithm

Assumptions of the Black and Scholes Model:

- It assumes that the option is a European style option.
- Stocks do not pay dividend,
- No transaction costs
- Risk free Interest rate is constant during the option time period
- Stock price movement is similar to a random walk; random walk means that at any given moment in time, the price of the underlying stock can go up or down with the same probability.
- Stock returns are normally distributed over a period of time, and
- The variance of the return is constant over the life of an Option
- It assumes a Normal or Log Normal distribution of prices.
- It assumes constant volatility across different option strike prices.

The variables used for calculating the Fair Value of options under Black and Scholes Model are as follows:

(a) **Price of the underlying stock [S]**

The holder of the instrument is entitled to 1 equity share in exchange of the one Optionally Convertible Redeemable Preference Share (Face Value of Rs. 10), therefore the stock price is assumed to be Rs. 70.53/-

(b) **Option exercise price [X] and current time until option expiration [T]**

The strike price (or exercise price) of an option is the fixed price at which the option can be buy (in the case of a call), or sell (in the case of a put), the underlying security or commodity.

The current time until option expiration is the time between the date of valuation and the expiration of the option.

As per the terms and conditions of the proposed OCRPS , each OCRPS shall be convertible into one no. of equity shares of Rs. 10 each of the Company at the option of the holders at any time on or before the remaining period of NCRPS. The NRCPS was issued in the year 2015 for twenty years.

This leads to the 12 scenarios as detailed below.

The strike price and current time until option expiration under various scenarios is considered as follows:

Scenario	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Strike Price (Rs.)*	90	90	90	90	90	90	90	90	90	90	90	90
Current time until option expiration (year)	0.17	1.17	2.17	3.17	4.17	5.17	6.17	7.17	8.17	9.17	10.17	11.17

** Strike price of Rs. 90/-is considered to be as the redemption price as per the terms of the OCRPS.*

(C) **Risk free interest rate [r]:**

Risk free interest rate is the implied yield currently available on zero-coupon government issues of the country in whose currency the exercise price is expressed, with a remaining term equal to the expected term of the option being valued (based on the option's remaining contractual life and taking into account the effects of expected early exercise). The risk-free rate is taken as the 10-year Government Bond Yield. It is 7.17% (Source-investing.com)

(d) **Standard deviation of stock returns[σ]**

Standard deviation of daily log returns represents the annualised volatility of the stock.

The Volatility Index (VIX) is an indicator of the market mood in the short term. It is a widely used measure of market risk and is constructed by using the prices of Nifty options (puts and calls).

It is calculated from the prevailing index option prices of the Nifty and is usually denoted as a percentage rather than an absolute value. This is very different from a price index such as the Nifty that is computed based on the movements in price of the underlying constituent stocks. The higher the index value the more volatility this is expected by the markets in the short term.

The standard deviation computed on the basis of daily log returns for the last 90 days is 35.88%(Source:bseindia.com) has been considered**.**

Valuation under Black and Scholes Model

A	Book value of NCRPS			40.00
B	Value of the Options of OCRPS			
	Option Values (for the remaining period)			
	Put Options			
	Exercise Year	**SCENARIO 1 (ie at the end of March 2024)**	**SCENARIO 1 (ie at the end of March 2025)**	**SCENARIO 1 (ie at the end of March 2026)**
	Option Value	18.68	18.88	18.84
	Put Options			
	Exercise Year	**SCENARIO 1 (ie at the end of March 2027)**	**SCENARIO 1 (ie at the end of March 2028)**	**SCENARIO 1 (ie at the end of March 2029)**
	Option Value	18.41	17.78	17.04
	Put Options			
	Exercise Year	**SCENARIO 1 (ie at the end of March 2030)**	**SCENARIO 1 (ie at the end of March 2031)**	**SCENARIO 1 (ie at the end of March 2032)**
	Option Value	16.24	15.42	14.60
	Put Options			

	Exercise Year	SCENARIO 1 (ie at the end of March 2033)	SCENARIO 1 (ie at the end of March 2034)	SCENARIO 1 (ie at the end of March 2035)
	Option Value	13.79	13.00	12.24
C	Price of the Options [average]*			**16.24**
D	Value of OCRPS [A+C]			**56.24**

** All the Scenarios have been assigned equal weightage.*

Value Conclusion

SL No	Valuation Method	INR	WEIGHT*	WEIGHT X PRICE
1	Discounted Cash Flow Method	84.78	0.5	42.39
2	Black-Scholes Method	56.24	0.5	28.12
	TOTAL		1	70.51
	Weighted Average Price			**70.51**

*All the Scenarios have been assigned equal weightage.

Recommended Value

The recommended value of one Optionally Convertible Redeemable Preference shares of the Company of face value of Rs 10/- each as on 28th January 2024 is Rs 70.51/-.

Sources of Information

The following information and documents are being used in this appraisal:

- Discussions with the Company's Management.
- Audited financial statements
- Provisional Accounts
- Terms of the NRCPS & OCRPS
- BSE/NSE Portals
- Various Website
- Other Documents

Independence of Appraiser

I am independent of the Company and its fee for this report is not contingent in anyway upon the opinion of realisable value of the OCRPS. shares of SSL to be valued. I am not aware of any conflicts of interest. My engagement does not in any way preclude the Client from seeking other independent opinions of the realisable value of the OCRPS shares of SSL from other sources.

Contingent and Limiting Conditions

This appraisal is made subject to the following general contingent and limiting conditions:

1. The analyses, opinions, and conclusions presented in this report apply to this engagement only and may not be used out of the context presented herein. This report is valid only for the effective date specified herein and only for the purpose specified herein.

2. Public information, estimates, industry and statistical information contained in this report have been obtained from sources considered to be reliable. However, I independently did not verify such information and make no representation as to the accuracy or completeness of such information obtained from or provided by such sources.

3. The company and its representatives warranted to me that the information supplied to me was complete and accurate to the best of their knowledge and that the financial information properly reflects the business conditions and operating results for the respective periods in accordance

with the generally accepted accounting principles. Information supplied to me has been accepted as correct without any further verification.

4. Financial information of the subject company is included solely to assist in the development of a value conclusion presented in this report and should not be used to obtain credit or for other purpose. Because of the limited purpose of the information presented, it may be incomplete and contain departures from the generally accepted accounting principles.

5. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any purpose by anyone other than those enumerated in this report without my written consent. This report and the conclusion of the value arrived at herein are for the exclusive use of the client for the sole and specific purposes as noted herein.
6. I do not provide assurance on the achievability of the results forecasted by the client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

7. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange or diminution of the owner's participation would not materially or significantly change.

8. This report and the conclusion of the value arrived at herein are for the exclusive use of the client's sole and specific purpose as noted herein.

9. The report and the conclusion of the value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of the registered valuer, based on information furnished by the client and other sources.

10. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s) or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without my approval

11. This valuation reflects the facts and conditions existing or reasonably foreseeable at the valuation date. Subsequent events have not been considered, and I have no obligation to update the report for such events and conditions.

12. The analyst, by reason of this valuation, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

13. The engagement for this valuation consulting work does not include any procedures designed to discover any defalcations or other irregularities, should any exist.

14. No change in any item in this valuation/conclusion report shall be made by anyone other than me and I shall have no responsibility for any such unauthorized change.

15. It is assumed that there is full compliance with all applicable central, state, and local environmental regulations and laws unless non- compliance is stated, defined, and considered in the report.

16. I assume no responsibility concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this respect.

17. I have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report.
18. I have made no investigation of title to property and assume that the owner's claim to the property is valid. I have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all asset.