

# **SCAN STEELS LIMITED**

**APRIL 14, 2025**

## **Fair Value of Optionally Convertible Redeemable Preference Shares**

**MADHUMITA KARAR**

*Registered Valuer- SFA*

*IBBI/RV/06/2018/10341*



MK/RV/2025-26/1003

14<sup>th</sup> April 2025

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 14<sup>th</sup> April 2025.

The valuation engagement has been performed and the valuation report has been prepared in conformity with the ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India (ICAI).

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

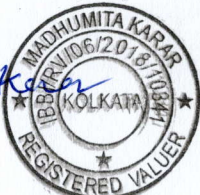
A more detailed description of the quantitative and qualitative analyses and valuation conclusion is presented in the attached narrative valuation opinion report.

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 14<sup>th</sup> April 2025 is **Rs. 60.52/-** per OCRPS.

A detailed valuation report is appended herewith.

Yours faithfully,

*Madhumita Karar*



Madhumita Karar  
Registered Valuer- Securities or Financial Assets  
IBBI/RV/06/2018/10341  
UDIN: 25067844BMLFNW9778

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## Executive Summary

<b>Client Identity:</b>	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. 86,50,00,000/-.
<b>Business Activity:</b>	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.
<b>Purpose of Valuation:</b>	The purpose of valuation is determination of the fair value of the Optionally Convertible Redeemable Preference Shares.
<b>Base of Value:</b>	Fair Value
<b>Premise of Value:</b>	Going Concern
<b>Date of Valuation:</b>	14 <sup>th</sup> April 2025
<b>Conclusion:</b>	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 14 <sup>th</sup> April 2025 is <b>Rs. 60.52/-</b>



## 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. 86,50,00,000/-.

Scan Steels Limited is a renowned name in the Iron and Steel Industry at Odisha, backed by 28 years of experience in steel manufacturing using DRI method.

### Shareholding pattern of Scan Steels Limited as on 14<sup>th</sup> April 2025.

Category	No of Shares	Percentage%
Promoters and Promoter Group (A)	2,85,74,156	48.76
Public (B)	3,00,28,139	51.24
<b>Total (A) + (B)</b>	<b>5,86,02,295</b>	<b>100.00</b>

### 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 14<sup>th</sup> April 2025

S.NO	NAME	DESIGNATION	DIN/PAN
1	PUNIT KEDIA	Independent Director	07501851
2	KONIKA PODDAR	Independent Women Director	10435224
3	GAGAN JALAN	Independent Director	09523622
4	RAJESH GADODIA	Independent Director	00574465
5	ANKUR MADAAN	Whole – Time Director	07002199
6	PRAVEEN KUMAR PATRO	Whole – Time Director	02469361
7	KALYAN KIRAN MISHRA	CFO	-
8	PRABIR KUMAR DAS	Company Secretary	-



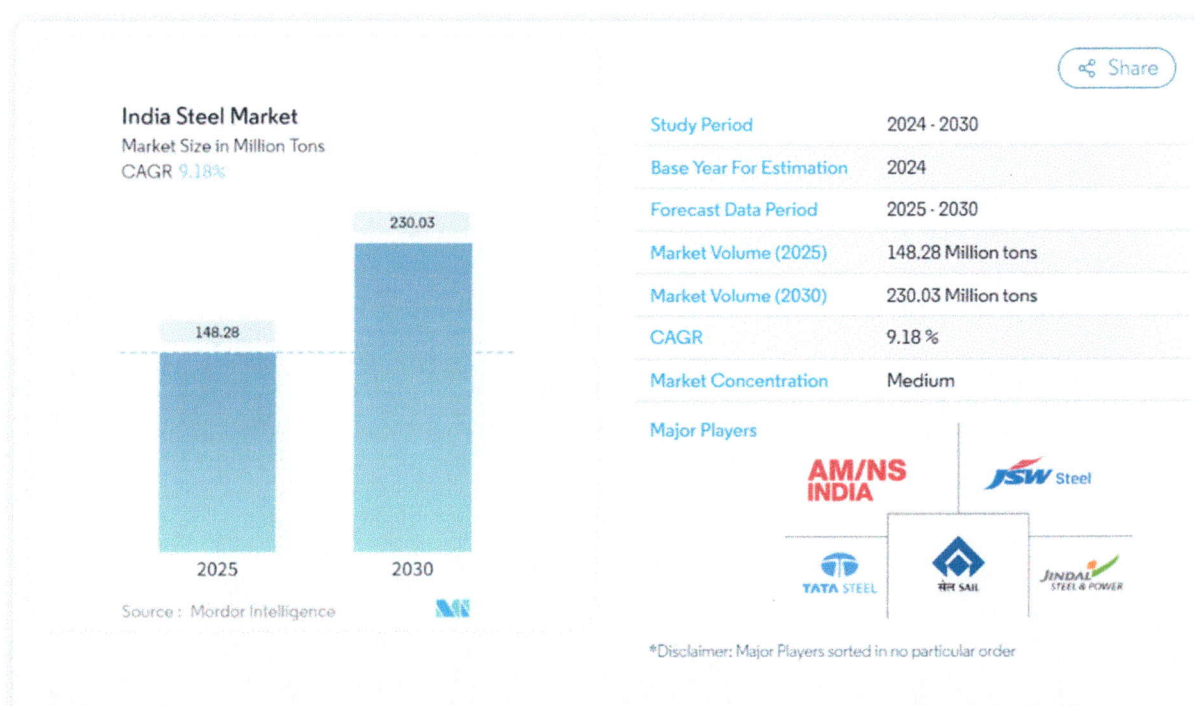


## Industry Analysis

### INDUSTRY ANALYSIS BASED ON INDIAN MARKET

India Steel Market Report is Segmented by Form (basic Form (crude Steel), And Final Form (finished Steel)), Technology (Blast Furnace-Basic Oxygen Furnace (BF-BOF), Electric Arc Furnace, And Other Technologies), And End-User Industry (automotive and Transportation, Building and Construction, Tools and Machinery, Energy, Consumer Goods, And Other End-User Industry (oil and Gas Extraction Equipment, Furniture, Pipes, Barrels, Drums, Packaging, Semiconductors)). The Report Offers the Market Sizes and Forecasts Based on Volume in Million Tons.

#### India Steel Market Analysis



The India Steel Market size is estimated at 148.28 million tons in 2025, and is expected to reach 230.03 million tons by 2030, at a CAGR of 9.18% during the forecast period (2025-2030).

India has established itself as a global steel manufacturing powerhouse, currently holding the position of the world's second-largest producer of crude steel after surpassing Japan. The country's steel sector demonstrated robust production capabilities in FY23, achieving an annual output of 125.32 million tons of crude steel and 121.29 million tons of finished steel. The industry has also maintained a strong trade position, with net exports reaching 6.72 million tons against imports of 6.02 million tons in FY 2022-23, highlighting India's growing self-sufficiency and export capabilities in steel production.

The steel industry's landscape is experiencing significant consolidation and expansion through strategic acquisitions and investments. Notable developments include JSW Steel's acquisition of NSL Green Steel Recycling in September 2023, aimed at establishing a scrap shredder facility in Maharashtra to reduce carbon footprint. Similarly, Jindal Stainless Limited's acquisition of a 74% stake in Odisha-based Jindal United Steel Limited for INR 958 crore in July 2023 demonstrates the industry's focus on vertical integration and capacity expansion. These strategic moves are reshaping the competitive landscape and enhancing operational efficiencies.



Despite its strong position, the Indian steel industry faces several structural challenges that impact its global competitiveness. The country's per capita steel consumption stands at 86.6 kilograms, significantly below the global average of 228 kilograms in FY 2022-23, indicating substantial untapped domestic market potential. Additionally, the industry grapples with high logistics costs, with steel freight rates approximately 500% higher compared to countries like Australia, substantially impacting operational costs and international competitiveness.

The industry is witnessing a notable shift towards sustainable and efficient production methods. AM/NS India's approval for a USD 4.7 billion steel plant project in Odisha in January 2023 represents the industry's commitment to modernization and capacity expansion. The sector is increasingly focusing on technological advancements, particularly in areas such as green steel production and energy efficiency. This transformation is crucial given that approximately 50% of the Indian workforce remains in agricultural operations, presenting both a challenge and opportunity for industrial growth and skilled labor development.

### **India Steel Market Trends**

#### *Strong Policy Support by the Indian Government*

The Indian government has implemented comprehensive long-term support policies to strengthen the domestic steel sector, with the National Steel Policy 2017 serving as a cornerstone initiative. Through this policy, the government aims to develop India into a technologically advanced steel manufacturing hub, focusing on achieving a total crude steel capacity of 300 MTPA by 2030-31. The policy framework specifically targets the expansion of state-owned entities, with plans to increase SAIL's operational capacity from the existing 19.51 MTPA to approximately 35.65 MTPA by 2030-31. Additionally, the government's Production Linked Incentive (PLI) Scheme, approved with an outlay of INR 6,322 crore, is scheduled to commence from FY 2023-24, demonstrating the government's commitment to boosting domestic production.

The government has also introduced targeted policies to promote domestic manufacturers and enhance quality standards in the steel sector. The Domestically Manufactured Iron and Steel Products (DMI & SP) Policy, implemented for government procurement, has successfully resulted in import substitution worth INR 34,800 crore (USD 4,176.7 million). To ensure product quality, 145 Indian Standards have been notified under the Quality Control Orders covering various steel materials. Furthermore, the government launched the region-specific Mission Purvodaya to accelerate development in Eastern India through an integrated steel hub in Kolkata, recognizing that the eastern region has the potential to contribute more than 75% of the country's incremental steel capacity, potentially adding over 200 MT of the targeted 300 MT capacity by 2030-31.

#### *Strong Influx of Investments in the Steel Sector*

The Indian steel sector has witnessed substantial investment commitments from both domestic and international players, reflecting strong confidence in the market's growth potential. Through the production-linked incentive scheme for specialty steel, the government has successfully attracted investment commitments worth INR 400 billion (USD 5.37 billion), aimed at expanding specialty steel capacity. In a significant development in July 2023, the Ministry of Steel announced a massive investment of JPY 5 trillion (USD 36 billion) from Japan across various sectors in India, including steel, marking a major boost for international collaboration in the sector.

Major industry players have announced significant expansion plans, demonstrating their commitment to the sector's growth. AMNS India has unveiled plans to invest USD 7.4 billion in expanding both its upstream and downstream capacities while enhancing its iron ore capabilities. Similarly, INOX Air





Products announced an investment of INR 1,300 crore (USD 157.5 million) in May 2023 to improve process efficiency, while JSW Steel committed INR 47,457 crore (USD 6.36 billion) for manufacturing capacity expansion and mining infrastructure development in Odisha. These investments are complemented by over 57 MoUs involving 27 companies under various government schemes, with committed investments of nearly INR 30,000 crore aimed at adding downstream capacity of 24.7 million tons.

### *Increasing Urbanization and Increased Spending on Construction and Infrastructure Projects*

India's construction and infrastructure sectors are experiencing unprecedented growth, driven by rapid urbanization and increased government spending on development projects. According to the National Investment Promotion and Facilitation Agency, the construction industry currently employs over 51 million people and accounts for 9% of India's GDP. The sector has witnessed remarkable growth in housing demand, with the top seven cities (Delhi NCR, Bangalore, Hyderabad, Mumbai, Pune, Chennai, and Kolkata) recording approximately 402,000 new housing units in 2022, representing a 44% increase from the previous year. This growth trajectory is expected to continue as projections indicate that more than 40% of India's population will reside in urban areas by 2030, creating demand for an additional 25 million affordable housing units.

The government has demonstrated strong commitment to infrastructure development through substantial budget allocations and ambitious projects. In 2022-23, the government allocated INR 64,573 crore for developing new roads and bridge infrastructure, while committing INR 2,600 crore for non-residential office buildings under the Central Vista Project. The implementation of transformative programs such as the Smart City Mission, targeting 100 cities, and the National Infrastructure Pipeline (NIP) with projects worth INR 108 trillion (USD 1.3 trillion) at various implementation stages, further reinforces the government's focus on infrastructure development. Additionally, social sector initiatives like the Pradhan Mantri Awas Yojana and the Sardar Patel Urban Housing Project are actively promoting housing development, creating sustained demand for construction steel and structural steel in the construction sector.

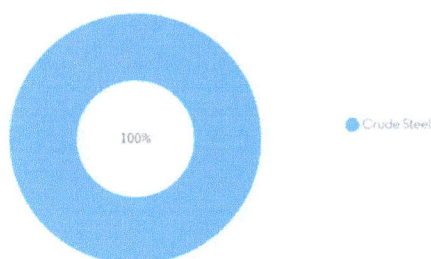
### *Segment Analysis: Basic Form*

#### *Crude Steel Segment in India Steel Market*

Crude steel represents the entirety of India's basic form steel manufacturing, serving as the fundamental raw material for all steel products in the country. In 2024, crude steel production continues to dominate the basic form segment with approximately 100% market share, reflecting its critical role in India's steel manufacturing ecosystem. The segment's robust performance is supported by major steel producers like Steel Authority of India Limited (SAIL), Tata Steel, and JSW Steel, who have significantly invested in expanding their crude steel production capabilities. The production is primarily driven by the strong demand from various end-user industries, including construction, automotive, and infrastructure development. The government's supportive policies, including the National Steel Policy and Production Linked Incentive (PLI) scheme, have further strengthened the crude steel segment's position in the market.



India Steel Market: Market Share by Basic Form Segment (2024)



Source: Mordor Intelligence



### *Growth Trajectory of Crude Steel Segment*

The crude steel segment is projected to maintain a strong growth trajectory, with an expected growth rate of approximately 8% during the forecast period 2024-2029. This growth is primarily driven by the government's ambitious target to achieve 300 MTPA of steel production capacity by 2030-31. The segment's expansion is further supported by significant investments in new technologies and production facilities. Major steel manufacturers are increasingly adopting advanced technologies like blast furnace-basic oxygen furnace (BF-BOF) and electric arc furnace (EAF) to enhance production efficiency and meet environmental standards. The segment's growth is also bolstered by increasing urbanization and the government's focus on infrastructure development projects across the country.

### **Segment Analysis: Final Form**

#### *Crude Steel Segment in India Steel Market*

Crude steel maintains its position as the dominant segment in India's steel market, accounting for approximately 53% of the total production volume in 2024. This segment's prominence is primarily attributed to India's position as the world's second-largest producer of crude steel, surpassing major steel-producing nations. The segment's strength is reinforced by the country's robust integrated steel manufacturing facilities, with major players like Steel Authority of India Limited (SAIL) operating multiple blast furnaces across various locations. The government's supportive policies, including the National Steel Policy and Production Linked Incentive (PLI) Scheme, have further bolstered crude steel production. Additionally, the segment benefits from India's abundant iron ore reserves and growing domestic demand from various end-user industries, particularly construction and infrastructure development.

#### *Finished Steel Segment in India Steel Market*

The finished steel segment is demonstrating remarkable growth potential in India's steel market, with an expected growth rate of approximately 9% during 2024-2029. This accelerated growth is driven by several factors, including the government's ambitious infrastructure development plans and increasing urbanization. The segment is witnessing substantial investments in capacity expansion, with major players like JSW Steel and Tata Steel announcing significant expansion projects. The implementation of quality control orders by the government has also enhanced the segment's competitiveness in both domestic and international markets. Furthermore, the growing demand from automotive, construction, and consumer goods sectors, coupled with India's push towards manufacturing self-reliance through initiatives like 'Make in India,' is expected to sustain this segment's robust growth trajectory.

### **Segment Analysis: Technology**

#### *Blast Furnace-Basic Oxygen Furnace (BF-BOF) Segment in India Steel Market*



The Blast Furnace-Basic Oxygen Furnace (BF-BOF) route dominates India's steel production landscape, commanding approximately 46% of the total market share in 2024. This technology represents the most basic, robust, and highly efficient method of steel production, using iron ore as its primary raw material, which accounts for about 50% of the manufacturing cost. The segment's prominence is attributed to its superior production capabilities, with blast furnaces capable of producing up to 10,000 tons of molten pig iron daily and Basic Oxygen Furnaces able to produce up to 300 tons of steel per heat. The technology's efficiency is demonstrated by its ability to convert up to 90% of iron ore into molten pig iron in less than 30 minutes, while BOFs can transform molten pig iron into steel within the same timeframe. The segment's growth is further supported by significant capacity expansions across major players, with companies like Tata Steel BSL Ltd. planning to add 6.07 MMT of BOF capacity at the Meramandali works, and JSW Steel advancing the construction of 5 MMT of BOF capacity at its Vijayanagar Works. The segment is projected to maintain its strong growth trajectory through 2024-2029, with an expected growth rate of approximately 9% annually, driven by its vital role in India's economy and continuous improvements in efficiency and environmental performance.

#### *Remaining Segments in Technology*

The Electric Arc Furnace (EAF) and Other Technologies segments complete the technological landscape of India's steel market. The EAF segment has established itself as a significant alternative to the traditional BF-BOF route, particularly in producing specialty steels that require precise control of chemistry and microstructure. This technology offers advantages in terms of energy efficiency, using only about 20% of the energy required by the BF-BOF route, and demonstrates greater environmental friendliness due to its reduced carbon footprint. The Other Technologies segment, primarily dominated by Induction Furnace (IF) technology, serves as a promising alternative for smaller steel mills due to its compact nature and flexibility in feedstock utilization. These technologies complement the market by offering specialized solutions for different production needs, with EAF being particularly suitable for high-quality alloy and stainless grades, while IF technology provides advantages in terms of energy efficiency and reduced environmental impact, making it ideal for smaller-scale operations and specific market niches.

#### *Segment Analysis: End User Industry*

##### *Building and Construction Segment in India Steel Market*

The building and construction sector maintains its dominance in the Indian steel market, accounting for approximately 51% of the total market share in 2024. This segment's prominence is driven by extensive infrastructure development initiatives and rapid urbanization across the country. The government's strong focus on infrastructure development through various initiatives and increased spending on construction projects has significantly boosted construction steel demand in this sector. According to the National Investment Promotion and Facilitation Agency, the building and construction industry is projected to reach USD 1.4 trillion by 2025, demonstrating the sector's robust growth trajectory. The segment is also experiencing the fastest growth rate of around 10% for the forecast period 2024-2029, primarily driven by ambitious government projects, growing residential construction activities, and expanding commercial infrastructure development. The expansion of Grade A office spaces in major cities, coupled with the government's commitment to developing smart cities and affordable housing schemes, continues to fuel the demand for steel in construction applications.

##### *Remaining Segments in End User Industry*

The automotive steel and transportation sector represents the second-largest consumer of steel in India, driven by the country's expanding automotive manufacturing capabilities and transportation



infrastructure development. The tools and machinery segment maintains steady growth, supported by increasing industrialization and the government's push for domestic manufacturing through initiatives like 'Make in India'. The consumer goods sector's demand for steel continues to rise, particularly in appliances and packaging applications, while the energy sector utilizes steel extensively in power generation infrastructure, renewable energy installations, and distribution networks. Each of these segments contributes uniquely to the market's dynamics, with the automotive sector focusing on high-strength steel variants, the tools and machinery segment demanding precision-grade materials, and the consumer goods sector requiring specialized steel products for various applications. The energy sector's transformation, particularly in renewable energy infrastructure, is creating new opportunities for steel applications in solar, wind, and hydroelectric power installations.

### **India Steel Industry Overview**

#### *Top Companies in Indian Steel Market*

The Indian steel market is characterized by strong domestic players demonstrating significant innovation and strategic expansion initiatives. Companies are increasingly focusing on technological advancement, particularly in developing specialty steel products and sustainable steel manufacturing processes. Major players are expanding their production capacities through greenfield projects and brownfield expansions, while simultaneously investing in downstream capabilities to broaden their steel products portfolios. The industry shows a clear trend toward vertical integration, with companies securing raw material sources and strengthening their distribution networks. Strategic collaborations with international technology partners, particularly for advanced high-strength steels and specialized products, have become increasingly common. Companies are also emphasizing sustainability initiatives, with many players investing in renewable energy sources and carbon reduction technologies to align with global environmental standards.

#### *Fragmented Market with Strong Local Leadership*

The Indian steel market exhibits a partially fragmented structure with a mix of public and private sector enterprises dominating the landscape. The market features a strong presence of integrated steel manufacturers who control significant portions of the value chain, from raw material extraction to finished product distribution. While global players maintain some presence, the market is predominantly controlled by domestic conglomerates with a deep-rooted understanding of local market dynamics and established distribution networks. The industry has witnessed several strategic acquisitions and joint ventures, particularly aimed at technology enhancement and capacity expansion, indicating a gradual trend toward consolidation.

Recent years have seen increased merger and acquisition activities, with larger players acquiring smaller specialized units to enhance their product portfolios and market reach. The public sector continues to play a significant role through entities like SAIL, while private sector giants like Tata Steel and JSW Steel have been expanding their presence through both organic and inorganic growth strategies. The market structure is further characterized by the presence of numerous medium-sized players who specialize in specific product categories or serve regional markets, contributing to the overall competitive dynamics of the industry.

#### *Innovation and Sustainability Drive Future Growth*

Success in the Indian steel market increasingly depends on companies' ability to balance operational efficiency with environmental sustainability. Market leaders are focusing on developing value-added steel products, particularly for high-growth sectors like automotive and construction, while simultaneously investing in clean technologies and circular economy initiatives. The ability to secure



raw material supplies, optimize production costs, and maintain strong relationships with end-users has become crucial for maintaining market position. Companies are also emphasizing digital transformation and automation to improve operational efficiency and product quality, while developing specialized products to address specific industry needs.

For new entrants and smaller players, success lies in identifying and serving niche markets while building strong distribution networks. The industry faces moderate substitution risks from alternative steel materials, particularly in construction and packaging applications, necessitating continuous innovation in product development and application engineering. Regulatory compliance, particularly regarding environmental standards and quality requirements, has become a critical factor for market success. Companies that can effectively manage these aspects while maintaining cost competitiveness and product quality are likely to gain market share. The ability to adapt to changing end-user requirements and maintain strong relationships with key industrial customers remains crucial for long-term success in the market.

### India Steel Market Leaders

1. Steel Authority of India Limited (SAIL)
2. JSW STEEL LIMITED
3. TATA STEEL
4. AM/NS INDIA
5. JINDAL STEEL & POWER LIMITED

#### Market Concentration



Source: Mordor Intelligence





## INDUSTRY ANALYSIS BASED ON GLOBAL MARKET

Global crude steel production is forecasted to increase modestly in 2025 over 2024 levels, the first annual increase since the nearly 4% year-over-year gains in 2021, following the 2020 shutdowns. Increases in production in North America, Europe, Middle East, and India will offset another expected weak year in China.

Global crude steel production  
Percentage change year-on-year

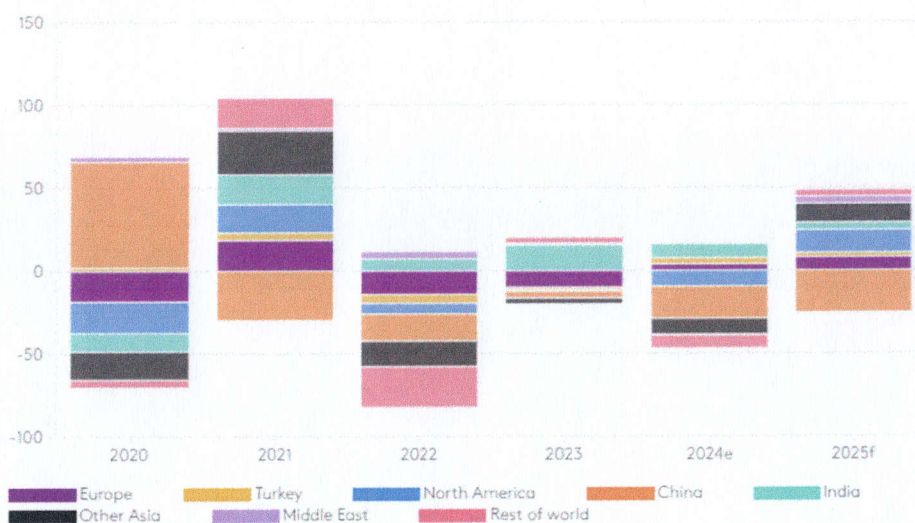


Source: [Fastmarkets](#), WSA, AISI

### Chinese crude steel production to fall

Chinese crude steel production is on course to fail to register one billion tonnes production in 2024 (data for the full year is still being finalized), and Fastmarkets suggests that output will fall below 900Mt by the end of the ten-year forecast period. Domestic Chinese apparent steel consumption has peaked, putting pressure on steelmakers to aggressively export to maintain output levels, thus affecting prices and steelmaker margins.

Crude steel production  
Year-on-year change M tonnes



Source: [Fastmarkets](#), WSA, AISI

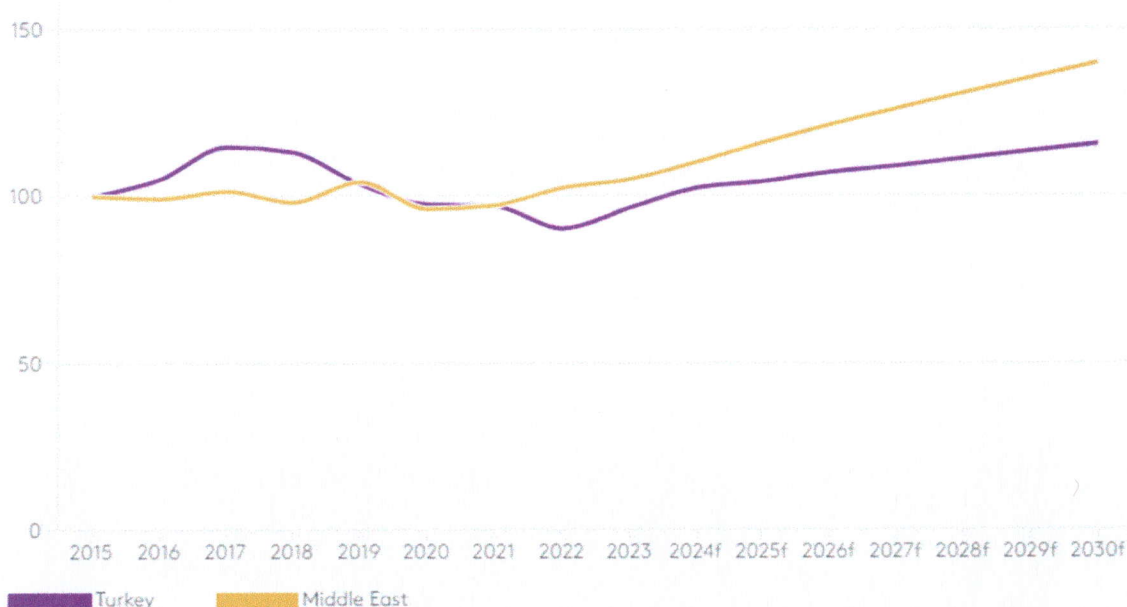
In 2025 as well as in coming years, India's annual growth in crude steel production will be driven by structural growth in end-user demand as well as the aggressive expansion of domestic capacity. Much of this new and planned capacity is coal based, output from which could be affected by emission controls, such as Europe's CBAM. That being said, the main target of the new capacity is the domestic market.

#### Modest growth in European crude steel production

After a dismal 2024 in terms of steel demand and output, European crude steel production is forecast to show modest growth in 2025 as end-user demand will bounce back slightly. Improvements in demand will push distributors to adjust inventory levels higher. Moreover, new and renewed trade restrictions will support regional suppliers by reducing penetration of lower-cost competition.

Fastmarkets projects continued improvements in Turkish steel production on the basis on improving domestic construction demand brought about by new rigorous building codes due to recent earthquakes.

Construction production index (2015=100)



Source: Oxford Economics, *Fastmarkets*

Middle East crude steel production in the near term will be driven by new capacity starts in the region. Construction growth in the Middle East will continue to support regional upstream steel demand. Moreover, the region is becoming a central hub for investment in green steel and associated raw materials.

North American steel production will be driven by new capacity gains in Mexico and the US which will more than offset recent or planned closures of old and uneconomic capacity. The effect of re-shoring or near-shoring of manufacturing capacity will have a positive effect on upstream steel demand. With new administrations in both countries, Fastmarkets surmises that tariffs, trade restrictions or stimulus efforts will be supportive of domestic steel output in both countries.

Source: <https://www.fastmarkets.com/insights/fastmarkets-forecasts-global-crude-steel-production-to-increase-2025>



### 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 31 <sup>st</sup> March 2025 by Management of Scan Steels Limited.
Date of Valuation	14 <sup>th</sup> April 2025
Date of Report	14 <sup>th</sup> April 2025
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. Valuation Bases**

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 28,31,139 Non-Convertible Redeemable Preference Shares**

Particulars	Details
Nature of securities	28,31,139 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	<ul style="list-style-type: none"> <li>• Section 42, 55, 62 (1) (c), 177 and 179 of the Companies Act, 2013 ('Act')</li> <li>• SEBI ICDR Regulations</li> <li>• SEBI LODR Regulations</li> <li>• SEBI PIT Regulations</li> <li>• Any other applicable laws</li> </ul>
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)	6.55%	investing.com
Zero Coupon Bond Spread BBB+	4.30%	FIMMDA
<b>r = Discount rate</b>	<b>10.85%</b>	

Fair value of one OCRPS as on 14<sup>th</sup> April 2025 is Rs. 60.52/-

### 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:

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

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)
- $d1 = \left[ \ln(S/X) + (r + \sigma^2/2) T \right] / \sigma T^{1/2}$
- $d2 = d1 - \sigma T^{1/2}$
- $\sigma$  = 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. 57.12/-

**(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 10 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
Strike Price (Rs.)*	90	90	90	90	90	90	90	90	90	90
Current time until option expiration (year)	1	2	3	4	5	6	7	8	9	10

\* 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 6.55% (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 28.77%(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			
	<b>Option Values (for the remaining period)</b>			
	<b>Put Options</b>			
	Exercise Year	<b>SCENARIO 1 (ie at the end of March 2026)</b>	<b>SCENARIO 2 (ie at the end of March 2027)</b>	<b>SCENARIO 3 (ie at the end of March 2028)</b>
	Option Value	27.99	25.11	22.96
	<b>Put Options</b>			
	Exercise Year	<b>SCENARIO 4 (ie at the end of March 2029)</b>	<b>SCENARIO 5 (ie at the end of March 2030)</b>	<b>SCENARIO 6 (ie at the end of March 2031)</b>
	Option Value	21.16	19.56	18.12
	<b>Put Options</b>			
	Exercise Year	<b>SCENARIO 7 (ie at the end of March 2032)</b>	<b>SCENARIO 8 (ie at the end of March 2033)</b>	<b>SCENARIO 9 (ie at the end of March 2034)</b>
	Option Value	16.81	15.60	14.48
	<b>Put Options</b>			
	Exercise Year	<b>SCENARIO 10</b>		



		(ie at the end of March 2035)		
	Option Value	13.46		
C	Price of the Options [average]*			19.52
D	Value of OCRPS [ A+C]			59.52

\* All the Scenarios have been assigned equal weightage.

### **Value Conclusion**

SL No	Valuation Method	INR	WEIGHT*	WEIGHT X PRICE
1	Discounted Cash Flow Method	61.52	0.5	30.76
2	Black-Scholes Method	59.52	0.5	29.76
	<b>TOTAL</b>		1	60.52
<b>Weighted Average Price</b>				<b>60.52</b>

\*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 14<sup>th</sup> April 2025 is Rs. 60.52/-

## 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

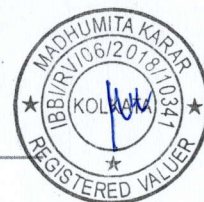
This appraisal is made subject to the following general contingent and limiting conditions:

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 and no non-compliance is noted, defined, and commented 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.

