MSP STEEL & POWER LIMITED
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REPORT OF THE AUDIT COMMITTEE ("COMMITTEE") OF MSP STEEL AND POWER LIMITED ON THE SCHEME OF ARRANGEMENT BETWEEN MSP SPONGE IRON LIMITED ("DEMERGED COMPANY" OR "MSP SPONGE") AND MSP STEEL AND POWER LIMITED ("RESULTING COMPANY" OR "MSP STEEL") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES THEREUNDER ("THE SCHEME") PRESENTED TO US AND HAVE TAKEN INTO CONSIDERATION VARIOUS FACTORS, INCLUDING THE PROVISIONS STATED IN PARA (A)(2)(I) OF PART I OF THE SEBI MASTER CIRCULAR DATED JUNE 20, 2023. ("SEBI MASTER CIRCULAR').

This Report of the Audit Committee is considered and approved by the Committee at its meeting held on 2nd September 2026.

Members Present:

1.	Anubhav Goenka
2.	Suneeta Mohanty
3.	Pranab Chakrabarty

1. **Background:**

1.1. A Meeting of the Audit Committee of MSP Steel and Power Limited was held on 2nd September 2026 to consider and if thought fit, to recommend the Scheme of Arrangement between MSP Sponge Iron Limited ("Demerged Company" or "MSP Sponge") and MSP Steel and Power Limited ("Resulting Company" or "MSP Steel") and their respective shareholders and creditors under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and rules thereunder ("The Scheme").

1.2. The Equity Shares of the Company are listed on BSE Limited ("BSE") (hereinafter referred to as "designated Stock Exchange"), and National Stock Exchange Limited ("NSE"). The Company shall file the draft Scheme along with necessary information / disclosure and compliance documents with the designated Stock Exchange for their approval under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations, 2015").

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Works: Vill. & P.O.: Jamgaon, District: Raigarh, Chhattisgarh-496 001, **Phone:** +91 91091 34188
CIN Number: L27109WB1968PLC027399

1.3. The Scheme is subject to the approval of the Board of Directors, Shareholders and Creditors of the Companies, if applicable; SEBI and Stock Exchanges in terms of SEBI Master Circular and also subject to sanction of the Hon'ble National Company Law Tribunal, Kolkata Bench ("NCLT"); and subject to such other approvals, permissions, and sanctions of Regulatory and any other Authorities, as may be necessary.

1.4. This Report of the Audit Committee of the Company is prepared and submitted in order to comply with the requirements of the SEBI (LODR) Regulations, 2015, and the SEBI Master Circular relating Schemes bearing No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (including any statutory, modification or re-enactment or amendment thereof for the time being in force).

1.5. Any action already taken by the Director and/or officers of the Company in relation to the Scheme including appointment of Valuers, Merchant Bankers and such other consultants is hereby approved and ratified.

1.6. The following documents were placed before the Audit Committee of the Company during their meeting: -

a. Draft of the Scheme
b. Shareholding Pattern of the Demerged Company
c. Pre and Post shareholding Pattern of the Resultant Company
d. Report on recommendation of share exchange ratio dated 2nd September 2026, issued by Finvox Analytics ("Finvox" or "Registered Valuer" or the "Firm") **IBBI/RV-E/06/2020/120)** and SSPA & Co., Chartered Accountants ("SSPA" or "Joint Valuer") (IBBI/RV-E/06/2020/126), Independent Registered Valuers - Securities or Financial Assets
e. Fairness Opinion Report dated 2nd September 2026 2026 issued by M/s. Fortress Capital Management Services Private Ltd, Merchant Bankers, an Independent SEBI Registered Merchant Banker (SEBI Reg. No.: INM000011146);
f. Certificate from the Statutory Auditors of the Company, by M/s Singhi & Co., (Firm Registration No.: 302049E), confirming that the accounting treatment in the books of the Company as proposed in the draft Scheme is in compliance

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with the Accounting Standards notified by the Central Government under Section 133 of the Companies Act, 2013;

2. Proposed Scheme:

2.1. The Scheme provides for **transfer by way of demerger of the Demerged Undertaking (as defined in the Scheme) of the Demerged Company into the Resulting Company** and consequent issue of New Shares (as defined in Clause 10 of the Scheme) by the Resulting Company to the Shareholders of the Demerged Company in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any.

2.2. Consideration/Share Exchange Ratio: In terms of the Scheme and based on Valuation Report and Fairness Opinion, following would be the share entitlement ratio:

5 equity shares of the Resulting Company, credited as fully paid-up equity shares of the face value of INR 10 each, for every 1 (One) fully paid-up equity shares of the face value of INR 10 (Indian Rupees Ten) of Demerged Company

2.3. The "Effective Date" for the Scheme means the last of the dates on which the certified copies of the order(s) of the Tribunal sanctioning the scheme are filed with the Registrar of Companies, Kolkata by MSP Steel and MSP Sponge.

2.4. The Scheme would be subject to the sanction or approval of the Hon'ble National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other appropriate authorities (as defined in the Scheme).

3. Rationale/ Need for demerger of the Demerged Undertaking into the Resulting Company:

3.1. The demerger of the Demerged Undertaking *(as defined herein under)* from MSP Sponge to MSP Steel is based on the following rationale:

3.1.1. The Demerged Company and the Resulting Companies are mostly engaged similar businesses i.e manufacturing of iron and steel. Accordingly, the Board of Directors of both the Companies intend to bring the manufacturing

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businesses of the Demerged Company and the Resulting Company under one entity, since they recognize the fact that combining both the business divisions will enable the Resulting Company to optimize the utilization of the specialized skills and knowledge, cash flow profiles, and operational and training requirement. In this scenario, the Board of Directors of both the Companies are of the view that it would be better to demerge the 'Manufacturing Business' of the Demerged Company into the Resulting Company and additionally take advantage of the economies arising out of integration of the business under Resulting Company.

3.1.2. The Demerger will achieve cost efficiencies through economies of scale.

3.1.3. The Demerger would result in enhanced potential for increase in revenues and profits over time for the Resulting Company and its members and create substantial value for stakeholders through EPS accretion.

3.1.4. The Demerger will result in increased flexibility and enhance the ability of Demerged Company and Resulting Company to undertake their respective businesses, thereby contributing to enhancement of future business potential.

3.1.5. The Demerger will eliminate intra-group transactions and consequent cash flow blockages which shall result in streamlined cash flow management and efficient utilization of capital.

3.1.6. The Demerger will enhance the net worth of the combined business to capitalize on future growth potential since both the entities are engaged in similar line of business.

3.1.7. The transfer and vesting of the Demerged Undertaking along with assets and liabilities relating to the Demerged Undertaking into Resulting Company, will benefit Resulting Company and its shareholders / members.

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3.1.8. Pursuant to the demerger, the shareholders of the Demerged Company will be allotted shares of the Resulting Company which is listed thus, increasing the long-term value for all the shareholders of the Demerged Company.

3.2. The proposed demerger will assist in the potential of the respective businesses being realized more fully and will have beneficial results for the said companies and their shareholders.

3.3. The Scheme is in the interest of shareholders and creditors and there is no likelihood that any shareholder or creditor of either Demerged Company or Resulting Company would be prejudiced as a result of the Scheme of Arrangement.

3.4. The Scheme will neither impose any additional burden on the shareholders of the Demerged Company, nor will it adversely affect the interests of any of the shareholders or creditors of the Demerged Company and the Resulting Company. Further, the Scheme is only for the transfer and vesting of the Demerged Undertaking by way of an arrangement from the Demerged Company into the Resulting Company and is not an arrangement or compromise with the creditors of any of the entities involved in the Scheme.

4. Synergies

Amongst the benefits arising out of the proposed Scheme as stated above, the committee noted that the Scheme of identified undertaking of the MSP Sponge into MSP Steel would consolidate all the resources of identified undertaking of MSP Sponge into MSP Steel.

5. Impact of the Scheme on the shareholders of the Company

5.1. The committee members discussed and deliberated upon the rationale and salient features of the Scheme, Share Entitlement Ratio Report, Fairness Opinion and other documents presented to it. The committee members noted that the New Equity Shares are being issued to the shareholders of the Demerged Company by Resulting Company as consideration for the demerger of the Demerged Undertaking, which will be listed on BSE and NSE.

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5.2. Further, the Scheme will facilitate creation of value for the shareholders of the Company by combining similar business activities under a single entity which would optimize business operations, achieve economies of scale, create operational efficiency, common pool of production and better utilisation of resources.

5.3. For the purpose of arriving at the recommended Share Entitlement Ratio, the Share Entitlement Ratio Report was obtained by both Companies in terms of the SEBI Master Circular. The independent registered valuer appointed to determine the recommended Share Entitlement Ratio for the proposed demerger pursuant to the Scheme has not expressed any difficulty while determining the same.

5.4. The independent valuer has arrived at the Share Entitlement Ratio in connection with the Scheme as outlined in the Share Entitlement Ratio Report.

5.5. In light of the aforementioned rationale of the Scheme and other related matters and after due deliberations, the Audit Committee, concluded that the issuance of the new equity shares in terms of the Scheme will have no significant impact on the shareholders of the Resulting Company

6. Cost benefit analysis of the Scheme

Although the Scheme would lead to incurring some costs towards its implementation, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company in terms of achieving cost efficiencies through economies of scale, value creation for shareholders amongst other benefits as specified under need & rationale of the Scheme. It will be beneficial for the Demerged Company and Resulting Company.

7. Recommendations of the Audit Committee:

7.1. The Committee, after due deliberations and consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion, and the specific points mentioned above recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, the BSE, the NSE, and SEBI.

7.2. This Report of the Committee is made after considering the necessary documents and the same shall be treated as compliance under the applicable provisions of the SEBI Listing Regulations, SEBI Circular and other applicable provisions, if any. The Committee is entitled to make relevant modifications to this Report, if required and such modifications or amendments shall be deemed to form part of this Report.

For Audit Committee of MSP Steel and Power Limited

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Anubhav Goenka
Chairman of the Committee
DIN: 00543736
Date: 02nd September 2026
Place: Kolkata