21

SSPA & Co., Chartered Accountants
Registered Valuer - Securities or Financial Assets
Registration No. IBBI/RV-E/06/2020/126
1st Floor, "Arjun" Plot No. 6A,
V.P. Road, Andheri (West),
Mumbai – 400 058

Finvox Analytics
Registered Valuer - Securities or Financial Assets
Registration Number: IBBI/RV-E/06/2020/120
C-1002, Bestech Park View Spa,
Sector-47, Gurugram- 122018,
Haryana, India

Date: September 02, 2026

To,

The Audit Committee / Board of Directors,
MSP Steel & Power Limited
South City Business Park,
10th Floor, 770 Anandpur,
EM Bypass, E.K.T,
Kolkata - 700 107,
West Bengal

The Board of Directors,
MSP Sponge Iron Limited
South City Business Park,
10th Floor, 770 Anandpur,
EM Bypass, E.K.T,
Kolkata - 700 107,
West Bengal

Sub: Recommendation of fair equity share entitlement ratio for the proposed demerger of Manufacturing Business of MSP Sponge Iron Limited into MSP Steel & Power Limited through a scheme of arrangement

Dear Sir(s)/ Madam(s),

We refer to respective engagement letters of SSPA & Co., Chartered Accountants and Registered Valuer - Securities or Financial Assets (**'SSPA'**) dated August 04, 2026, and Finvox Analytics, Registered Valuer – Securities or Financial Assets **('Finvox')** dated August 05, 2026 whereby SSPA and Finvox have been appointed by both MSP Steel & Power Limited (hereinafter referred to as **'MSP Steel'**) and MSP Sponge Iron Limited (hereinafter referred to as **'MSP Sponge'**) for recommendation of fair equity share entitlement ratio for the proposed demerger of manufacturing business of MSP Sponge (hereinafter referred to as the **'Demerged Undertaking'**) into MSP Steel pursuant to a Scheme of Arrangement under section 230 to 232 and other applicable provisions of the Companies Act, 2013 and Rules made there under ('Scheme') (hereinafter referred to as the 'Proposed Demerger') with effect from such date as may be mentioned in the Scheme ('Appointed Date').

MSP Steel and MSP Sponge are hereinafter jointly referred to as the 'Clients' or the 'Companies' and individually referred to as 'Client' or 'Company', as the context may require.

Finvox and SSPA are hereinafter jointly referred to as 'Valuers' or 'Registered Valuers' or 'we' or 'us' in this report.

This fair share entitlement ratio report (**'Report'** or **'Joint Report'**) is our deliverable for this engagement.

For the purpose of this valuation, the valuation is based on 'Going Concern' premise.

The cut-off date for the present valuation exercise and the market factors has been considered as at September 01, 2026 ('Valuation Date').

SSPA & Co. REGISTERED VALUER CHARTERED ACCOUNTANTS

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

MSP STEEL & POWER LIMITED
Company Secretary & Compliance Officer

MSP SPONGE IRON LIMITED
Vasudha Agarwal
Company Secretary

SCOPE AND PURPOSE OF THIS REPORT

MSP Steel & Power Limited ("Resulting Company")

MSP Steel, incorporated under the provisions of the Companies Act, 1956 on December 18, 1968, having registered office at South City Business Park, 10th Floor, 770 Anandpur, EM Bypass, E.K.T, Kolkata, West Bengal, India, 700107, is engaged in manufacturing and trading of iron and steel products and generation of power. MSP Steel has a manufacturing plant at Raigarh, Chhattisgarh.
The equity shares of MSP Steel are listed both on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

MSP Sponge Iron Limited ("Demerged Company")

MSP Sponge, incorporated under the provisions of the Companies Act, 1956 on July 16, 1999, having its registered office situated at South City Business Park, 10th Floor, 770 Anandpur Road, E.M. Bypass, Kolkata, West Bengal, India – 700107, is engaged in manufacturing and sale of iron and steel, ferro alloys products and captive power generation ('Manufacturing Business') and it also has other business by way of investments in equity instruments.
The manufacturing facilities are located at Keonjhar, Odisha and Raigarh, Chattisgarh and forms a part of the Manufacturing Business.

We understand that the management(s) of the Companies (hereinafter collectively referred to as **'Management'**) are evaluating the demerger of the Manufacturing Business of MSP Sponge into MSP Steel pursuant to the Scheme of Arrangement under the provisions of Sections 230 to 232 of the Companies Act, 2013 (including any statutory modifications, re-enactment or amendments thereof) and other applicable securities and capital market laws and rules thereunder to the extent applicable. Pursuant to the aforesaid demerger ('Proposed Transaction'), equity shares would be issued by MSP Steel to the shareholders of MSP Sponge (other than MSP Steel).

We understand that the Proposed Transaction would be classified as a related party transaction under the provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') and require approval of the Board of Directors and its Committees and shareholders of MSP Steel and MSP Sponge.

In accordance with the provisions of the Scheme, we understand that as part of the Proposed Demerger, all assets and liabilities identified as pertaining to the Demerged Undertaking shall be transferred to the Resulting Company in compliance with Section 2(35) and other applicable provisions of the Income Tax Act, 2025 and related rules and notifications.

In this connection, Audit Committee / Board of Directors of MSP Steel and MSP Sponge have appointed SSPA and Finvox jointly, under the Companies Act, 2013, to recommend a fair equity share entitlement ratio (**'Share Entitlement Ratio'**) in accordance with generally accepted valuation standards; and provide a Registered Valuer Report for recommending the Share Entitlement Ratio, for the consideration of the Audit *Committee/ Board of Directors/ any other committee of the Companies, as may be applicable. To the extent* mandatorily required under applicable laws of India, this Report may be produced before the judicial regulatory or governmental authorities, stock exchanges and/ or shareholders in connection with the Proposed Transaction.

We understand that the Proposed Transaction is being planned as an all-share deal, which would involve issue of equity shares of MSP Steel to the shareholders of MSP Sponge (other than MSP Steel).

We understand that the appointed date for the Proposed Demerger shall be April 01, 2026 or such other

date as may be approved by NCLT.
The scope of our services is to conduct a relative (and not absolute) valuation of equity shares of the Company / Demerged Undertaking and recommend the Share Entitlement Ratio for the Proposed Demerger in accordance with ICAI Valuation Standards 2018 ('ICAI VS').

The Valuers have independently performed their analysis on the valuation of MSP Steel / Demerged Undertaking and have made appropriate adjustments/ rounding-off to arrive at the consensus on the Share Entitlement Ratio for the Proposed Transaction.

We would like to emphasize that certain terms of the Proposed Transaction are stated in our Report, however the detailed terms of the Proposed Transaction shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the Proposed Transaction. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

The Report will be used by the Clients only for the purpose as indicated in this Report for which we have been appointed. The results of our analysis and our Report cannot be used or relied by the Clients for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person/ party for any decision of such person/ party based on this Report.

We have been provided with the limited reviewed financial results of MSP Steel and audited statement of assets and liabilities of Demerged Undertaking for 3 months period ended June 30, 2026 ('3ME Jun26'). We have taken into consideration the market parameters till the Valuation Date in our analysis. Further, we have been informed by the Management that all material information impacting the Companies and their operations have been disclosed to us.

We have been informed by the Management that:

a) there would not be any capital variation in the Companies till the Proposed Transaction/ Scheme becomes effective, except issuance and/or conversion of employee stock options/units, if any as part of normal course of business. In the event, either of the Companies restructure their equity share capital by way of share split/ consolidation/ issue of bonus shares before the Proposed Transaction becomes effective, the issue of shares pursuant to the Share Entitlement Ratio recommended in this Report shall be adjusted accordingly to take into account the effect of any such corporate actions.

b) till the Proposed Transaction becomes effective, neither of the Companies would declare any dividend which are materially different yields as compared to past few years.

c) there would be no significant variation between the draft Scheme of Arrangement and the final Scheme of Arrangement approved and submitted with the relevant authorities which may have impact on the Share Entitlement Ratio recommended.

d) there are no unusual/abnormal events in the Companies materially impacting their operations/financial position after June 30, 2026 till the Report date.

We have relied on the above while arriving at the Share Entitlement Ratio for the Proposed Demerger.

This Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts and in conjunction with the relevant documents referred to therein.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

MSP STEEL & POWER LIMITED
Company Secretary & Compliance Officer

MSP SPONGE IRON LIMITED
Vasudha Agarwal
Company Secretary

BACKGROUND OF VALUERS

SSPA & CO., CHARTERED ACCOUNTANTS

SSPA, is a partnership firm, located at 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing valuation and various other corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

FINVOX ANALYTICS, REGISTERED VALUER (SECURITIES AND FINANCIAL ASSETS)

Finvox Analytics, a partnership firm, is a Registered Valuer Entity for the Securities or Financial Assets class under the provisions of Section 247 of the Companies Act 2013, registered with the Insolvency and Bankruptcy Board of India with registration number IBBI/RV-E/06/2020/120. Finvox Analytics provides valuation advisory services. The registered office is located at C-1002, Bestech Park View Spa, Sector-47, Gurugram - 122018, Haryana, India.

SOURCES OF INFORMATION

In connection with this exercise, we have relied on the following information received from the Management and gathered from public domain:

- Draft Scheme of Arrangement for the Proposed Transaction;
- Audited financial statements of the Companies for the past three financial years ended March 31, 2026, March 31, 2025 and March 31, 2024;
- Limited reviewed financial results of MSP Steel for 3ME Jun26;
- Audited statement of assets and liabilities and statement of profit and loss of Demerged Undertaking for 3ME Jun26;
- Financial Projections comprising statement of profit and loss, statement of working capital requirement and capital expenditure requirement of MSP Steel and Demerged Undertaking from July 01, 2026 to March 31, 2031;
- Details of contingent liabilities of the Companies along with the probability of their devolving into an actual liability, as at Valuation Date;
- Number of equity shares of the Companies as on the Valuation Date on a fully diluted basis;
- Market price of MSP Steel;
- Discussions with the Management to understand the historical performance, macro-economic fundamentals and key value drivers affecting the business of the Companies;
- Market comparables and transactions, to the extent information on comparable companies/ transactions is available in the public domain;
- *Information obtained from public sources/ proprietary databases;*
- Other relevant information and documents for the purpose of this engagement provided through emails or hard copy of documents or during discussions.

During the discussions with the Management, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. The Clients have been provided with the opportunity to review the draft report (excluding the recommended Share Entitlement Ratio) as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our Report.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

MSP Steel has informed us that Fortress Capital Management Services Private Limited, (hereinafter referred to as 'Fortress' or the 'Fairness Team'), a SEBI Registered Category I Merchant Banker, have been appointed by the MSP Steel to provide fairness opinion on the Share Entitlement Ratio for the purpose of the Proposed Transaction. At the request of MSP Steel, we have had discussions with Fortress in respect of our respective valuation analysis.

PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial and qualitative information, and clarifications regarding past financial performance of the Companies and Demerged Undertaking as relevant;
- Considered data readily available in public domain related to the Companies and Demerged Undertaking, and their peers, to the extent relevant;
- Discussions (physical / over call /email) with the Management to:
    - Understand the business and fundamental factors that affect its earning-generating capability and historical financial performance of the Companies and Demerged Undertaking.
    - Understand the assumptions and the basis of key assumption used by the Management in developing projections.
- Identification of suitable comparable companies / transactions in discussion with the Management and analysis of their valuation multiples;
- Undertook industry analysis basis data readily available in the public domain:
    - Researched publicly available market data including economic factors and industry trends that may impact the valuation;
    - Analyzed key trends and valuation multiples of comparable companies using proprietary databases subscribed by us;
- Obtained and analyzed market prices, volume data and other relevant information for MSP Steel;
- Selection of appropriate internationally accepted valuation methodology/(ies), after deliberations and consideration to the sector in which MSP Steel and Demerged Undertaking operate and analysis of their business operations;
- Arrived at the equity value of MSP Steel and the Demerged Undertaking in order to determine fair Share Entitlement Ratio for the Proposed Demerger;
- Discussed our valuation with the Fairness Team.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This Report is subject to the limitations detailed in respective engagement letters. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

Provision of opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us.

This Report, its contents and the results herein are specific to (i) the purpose of Valuation agreed as per the *terms of our engagement; (ii) the date of this Valuation Report; (iii) limited reviewed financial results of* MSP Steel for 3ME Jun26 and audited statement of assets and liabilities and statement of profit and loss of Demerged Undertaking for 3ME Jun26; and (iv) other information provided by the Management. We have been informed that the business activities of MSP Steel and the Demerged Undertaking have been carried out in the normal and ordinary course between June 30, 2026 and the Report date and that no material adverse change has occurred in their respective operations and financial position between June 30, 2026 and the Report date.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic, industry and other conditions in general and information made available to us as of the Valuation Date. Events occurring after the Valuation Date may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Management. In accordance with our engagement letter and in accordance with the customary approach adopted in similar Valuation exercises, *we have not audited or otherwise investigated the historical financial information* provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Clients, we have been given to understand that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Management. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our analysis/ results. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.

We have also used available market data, from our respective subscribed databases and public domain sources, where appropriate, for which we are not responsible in terms of content and accuracy. However, reasonable care has been taken to ensure that such has been correctly extracted from those sources and/ or reproduced in its proper form and context.

We must emphasize that the projected financial information has been prepared by the Management and provided to us for the purpose of our analysis. The fact that we have considered the projected financial information in this exercise should not be construed or taken as our being associated with or a party to such projections. Valuation may be based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time, but realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to provide any assurance about the achievability of the projected financial information as events and circumstances do not occur as expected, and the

SSPA & CO REGISTERED VALUER CHARTERED ACCOUNTANTS

FINVOX ANALYTICS IBBI/RV-E/ 06/2020/120 REGISTERED VALUER

differences may be material. We express no opinion as to how closely the actual results will correspond to those projected/ forecast as the achievability of the forecast results is dependent on actions, plans and assumptions of the Management.

This Report assumes that the Companies comply fully with the relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that these Companies would be managed in a competent and responsible manner. This Report gives no consideration to the matters of legal nature, including issues of legal title/ eligibility and compliance with local laws, and litigations and other contingent liabilities that are not disclosed in the audited/limited reviewed balance sheet of MSP Steel / Demerged Undertaking. No investigation of Companies' claim to title of assets has been made for the purpose of this Report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. We have not carried out any physical verification of the assets and liabilities of the Companies and take no responsibility for the identification of such assets and liabilities.

This Report does not look into the business/ commercial reasons behind the Proposed Transaction, nor the likely benefits arising out of it. Similarly, it does not address the relative merits of the Proposed Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This Report is restricted to the recommendation of the Share Entitlement Ratio for the Proposed Transaction only. Further, the decision to carry out the Proposed Transaction lies entirely with the board of directors of our Clients and the work, and the findings shall not constitute a recommendation as to whether or not the board of directors of our Clients should carry out the Proposed Transaction.

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made various assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of MSP Steel and the Demerged Undertaking, and other factors which generally influence the Valuation.

Further, by its very nature, Valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Although, our conclusions are in our opinion reasonable and defensible, others might wish to argue for different values. In the event of a transaction, the actual transaction value achieved may be higher or lower than our Valuation depending upon the circumstances of the transaction. The knowledge, negotiability and motivations of the buyers and sellers will also affect actual price achieved. Accordingly, our Valuation will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree. We also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing the transaction price.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our Clients are the only authorised user of this Report and the Report is restricted for the purpose indicated in the respective engagement letters and should not be copied or reproduced without obtaining our approval for any purpose other than the purpose for which it is prepared. This restriction does not preclude the Clients from providing a copy of the Report to third-party advisors whose review would be consistent with the intended use. We do not take responsibility for the unauthorised use of this Report. We owe responsibility only to the Clients that has appointed us under the terms of our Engagement Letter and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies, their directors, employees or agents. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Companies, their directors, employees or agent. In no

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

FINVOX ANALYTICS IBBI/RV-E/ 06/2020/120 REGISTERED VALUER

circumstances shall the liability of SSPA or Finvox, their partners, their directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to us, respectively, in respect of the fees charged by us for these services. Though the Valuers are issuing a joint report, notwithstanding the issuance of this joint report, it is clarified that SSPA/Finvox are not responsible for the acts or omissions of Finvox/SSPA respectively in connection with this engagement.

It is clarified that any reference to this Report in any document and/ or filing with any tribunal/ judicial/ regulatory authorities/ government authorities/ stock exchanges/ courts and/or sharing with shareholders/ professional advisors/ merchant bankers, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by the Valuers of any responsibility or liability to any person/ party other than to the Clients.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement, or other agreement or document given to the third parties other than in connection with the Proposed Transaction, without our prior written consent except for disclosures to be made to relevant regulatory/ statutory authorities, to be read with covenants mentioned above. It is clarified that reference to this Report in any document and/ or filing with any recipient, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by us of any responsibility or liability to any person/ party other that our Clients. In addition, we express no opinion or recommendation as how the shareholders of the Companies should vote at any shareholders' meeting to be held in connection with the Proposed Transaction.

The recommendation rendered in this Report only represents our recommendation based upon information till the date of this Report, furnished by the Management and the said recommendation shall be considered to be in the nature of non-binding advice. Any person/ party intending to provide finance/ invest in the shares/ businesses of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. If any person/ party (other than the Clients) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to us.

It is understood that this analysis does not represent a fairness opinion. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

The Valuation analysis and results are governed by the concept of materiality.

This Report is subject to the laws of India.

Any discrepancies in any table/ annexure between the total and sum of amounts listed are due to rounding-off.

Disclosure of Registered Valuers' Interest or Conflict, if any and other affirmative statements

We hereby certify that, to the best of our knowledge and belief that:

- We do not have any financial interest in the Clients, nor do we have any conflict of interest in carrying out this valuation.
- We are not affiliated to the Clients or its group companies in any manner whatsoever;
- We do not have a prospective interest in the business of the Clients, which is the subject of this Report;
- Our fee is not contingent on an action or event resulting from the analysis, opinions or conclusions in this Report;
- Further, the information provided by the Management has been appropriately reviewed in carrying out the valuation. Sufficient time and information were provided to us to carry out the valuation.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

FINVOX ANALYTICS IBBI/RV-E/ 06/2020/120 REGISTERED VALUER

SHAREHOLDING PATTERNS

MSP STEEL

The issued and subscribed equity share capital of MSP Steel as at June 30, 2026 is ~INR 566.80 crore consisting of 56,67,96,645 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Particulars	No. of shares	% Holding
Promoter & Promoter Group	25,57,35,461	45.12%
Public	31,10,61,184	54.88%
Total	**56,67,96,645**	**100.00%**

Source: www.bseindia.com and Management information

According to the management of the Company, there has been no further issue of equity shares/convertible instruments/ESOPs by MSP Steel post June 30, 2026 till the Valuation Date. Accordingly, the number of equity shares as of the Valuation Date for MSP Steel are same as that on June 30, 2026.

Further, the Company has 2,80,00,000 share warrants of issue price INR 35 each (face value INR 10 each) outstanding as on the Valuation Date. We have been informed by the management of the Company that each warrant of face value INR 10 each is convertible into one equity share of the Company of face value INR 10 each. Accordingly, the diluted number of equity shares of the Company as of the Valuation Date works out to 59,47,96,645.

MSP SPONGE

The subscribed equity share capital of MSP Sponge as at July 31, 2026 is ~INR 35.03 crore consisting of 3,50,34,296 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Particulars	No. of shares	% Holding
Jaik Leasing and Commercial Investment Ltd	70,98,107	20.26%
Shree Vinay Finvest (P) Ltd.	66,62,261	19.02%
M.A Hire Purchase Pvt. Ltd	55,83,568	15.94%
Others	1,56,90,360	44.79%
Total	**3,50,34,296**	**100.00%**

Source: Management information

According to the management of the Company, there has been no further issue of equity shares/convertible instruments/ESOPs by MSP Sponge post July 31, 2026 till the Valuation Date. Accordingly, the number of equity shares as of the Valuation Date for MSP Sponge are same as that on July 31, 2026.

APPROACH FOR RECOMMENDATION OF SHARE ENTITLEMENT RATIO

The Proposed Transaction contemplates the demerger of Manufacturing Business of MSP Sponge into MSP Steel. Arriving at the fair share entitlement ratio for the Proposed Transaction would require determining the relative value of equity share of MSP Steel and Demerged Undertaking. These values are to be determined independently, but on a relative basis for both, without considering the effect of the Proposed Transaction.

Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for Proposed Transaction and our reasonable judgment, in an independent and bona fide manner.

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FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

The valuation approach and qualitative factors adopted by SSPA and Finvox is given in Annexure 1 and Annexure 2 respectively (Annexure 1 and Annexure 2 together referred to as 'Annexures').

BASIS FOR RECOMMENDATION OF SHARE ENTITLEMENT RATIO

The basis of the demerger of Manufacturing Business of MSP Sponge into MSP Steel would have to be determined after taking into consideration all the factors and methods mentioned hereinafter. The Share Entitlement Ratio has been arrived at on the basis of fair value of equity share of MSP Steel and Demerged Undertaking on a relative basis, based on the various approaches/ methods as per above Annexures after considering various qualitative factors relevant to the Companies, Demerged Undertaking, business dynamics and growth potential of the businesses of MSP Steel / Demerged Undertaking, information base and the underlying assumptions and limitations. Though different values have been arrived at under each of the approaches / methods as mentioned in the Annexures, for recommending the fair equity share entitlement ratio for the Proposed Transaction, it is necessary to arrive at a final value for MSP Steel and the Demerged Undertaking. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approaches/ methods applied for the present valuation exercise.

While we have provided our recommendation of the Share Entitlement Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Share Entitlement Ratio. The final responsibility for the determination of the Share Entitlement Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of our Clients who should take into account other factors such as their own assessment of the Scheme and input of other advisors.

In view of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the Share Entitlement Ratio for the proposed demerger of Manufacturing Business of MSP Sponge into MSP Steel as under:

5 (Five) equity shares of INR 10 each fully paid up of MSP Steel for every 1 (One) equity share of INR 10 each fully paid up held in MSP Sponge.

Respectfully submitted,	Respectfully submitted,
For SSPA & Co., Chartered Accountants	**For Finvox Analytics,**
Registered Valuer - Securities or Financial Assets	Registered Valuer - Securities or Financial Assets
ICAI Firm Registration No: 128851W	Registration No.: IBBI/RV-E/06/2020/120
Registration No.: IBBI/RV-E/06/2020/126	
Parag Shamji Ved Digitally signed by Parag Shamji Ved Date: 2026.09.02 19:15:49 +05'30'	Amrish Garg
Parag Ved, Partner	**CA Amrish Garg, Partner**
ICAI Membership No. 102432	ICAI Membership No. 511520
IBBI Membership No.: IBBI/RV/06/2018/10092	Registration Number: IBBI/RV/06/2018/10044
UDIN: 26102432LITGYJ5026	UDIN: 26511520NKUYDT9804
Place: Mumbai	Place: Gurugram
Date: September 02, 2026	Date: September 02, 2026

Annexure 1 – SSPA & Co., Chartered Accountants

Bases and Premise of Valuation

Valuation of the equity shares of MSP Steel and Demerged Undertaking as on the Valuation Date is carried out in accordance with ICAI VS, considering 'relative value' base and 'going concern value' premise. Any change in the valuation base, or the valuation premise could have a significant impact on the valuation outcome of MSP Steel / Demerged Undertaking.

The following are commonly used and accepted methods for determining the value of the equity shares of a company / undertaking:

1. Cost Approach – Net Asset Value method
2. Income Approach – Discounted Cash Flow method
3. Market Approach:
    a) Market Price method
    b) Comparable Companies Multiple method
    c) Comparable Transaction Multiple Method

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

For the Proposed Demerger, we have considered the following commonly used and accepted methods for determining the value of equity share of MSP Steel and Demerged Undertaking for the purpose of recommending fair equity share entitlement ratio to the extent relevant and applicable:

1. Cost Approach

The Cost Approach *reflects the amount that would be required currently to replace the service capacity* of an asset; often referred to as current replacement cost.

In the present case, the business of MSP Steel and Demerged Undertaking is intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.

2. Income Approach - Discounted Cash Flows Method ('DCF')

Under the Income Approach, equity share of MSP Steel and Demerged Undertaking are valued using DCF Method.

MSP Steel has witnessed revenue growth in recent years, supported by the recovery in the steel sector, improved capacity utilisation and production volumes, and growth across its integrated steel manufacturing operations. The company's operations span pellets, sponge iron, billets, TMT bars, structural steel and captive power. As per the management of MSP Steel, the Company is projected to continue its revenue growth over the projection period, principally driven by higher capacity utilisation, growth in production and sales volumes, and expansion in the scale of its operations. The projected growth is also supported by an increasing contribution from downstream products, as the company benefits from greater utilisation of its integrated manufacturing capacities.

MSP Steel has historically reported reasonable operating profitability. As per the management of MSP Steel, operating margins are expected to strengthen further over the projection period, supported by operating leverage, scale benefits and improved utilisation of manufacturing facilities. The expected improvement in profitability is primarily driven by (i) higher capacity utilisation and production volumes, (ii) operating leverage and economies of scale and (iii) an increasing contribution from downstream and value-added products, supporting overall profitability as the portfolio scales up.

The Demerged Undertaking has experienced revenue growth in recent years, supported by the recovery in the steel sector, improved capacity utilisation and production volumes, and growth across its manufacturing operations. Its operations comprise pellet, DRI/sponge iron and rolling mill facilities, with an increasing degree of integration across the manufacturing process. As per the management of MSP Sponge, the Demerged Undertaking is projected to continue its revenue growth over the projected period, primarily driven by higher capacity utilisation and production volumes across existing facilities, together with the ramp-up of additional manufacturing capacity. The projected growth is also supported by a gradual shift in product mix and an increasing contribution from downstream manufacturing activities.

As per the management of MSP Sponge, the Demerged Undertaking's operating margins are expected to improve progressively over the projected period. The anticipated improvement is primarily supported by higher capacity utilisation and production volumes, together with operating leverage and economies of scale. Profitability is further supported by the increasing contribution from downstream and value-added manufacturing operations.

Under DCF method, the projected free cash flows from business operations, after considering fund requirements for projected capital expenditure and incremental working capital for each business, are discounted at the respective Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to earnings before interest and tax (i) depreciation and amortizations (non-cash charge), and (ii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of cost of equity and cost of debt of the respective Companies.

To the value so arrived, appropriate adjustments have been made for loan funds, redeemable preference share liability, contingent liabilities, cash inflow on account of outstanding warrants, value of investments and cash and cash equivalents, considering the tax wherever applicable to arrive at the equity value of MSP Steel and the Demerged Undertaking.

The equity value as arrived above is divided by the diluted / outstanding number of equity shares of the Companies to arrive at the value per equity share of MSP Steel and Demerged Undertaking.

3. Market Approach

a) Market Price ('MP') Method

The market price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

In the present case, the equity shares of MSP Steel are listed on both NSE and BSE and its shares are frequently traded on the recognized stock exchange. The value of equity shares of MSP Steel under this method is determined considering the share prices of MSP Steel on NSE over an appropriate period.

Further, equity shares of MSP Sponge are not listed on any recognized stock exchange, hence the market price method cannot be applied for valuation of the Demerged Undertaking.

b) Comparable Companies' Multiple (CCM) / Comparable Transactions Multiples (CTM) Method

Under CCM method, the value of equity shares of companies is determined by using multiples derived from valuations of comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for material differences, if any.

In the present case, Enterprise Value ('EV') to Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') multiple of comparable listed companies are considered to arrive at EV of MSP Steel and the Demerged Undertaking.

To the value so arrived, appropriate adjustments have been made for loan funds, redeemable preference share liability, contingent liabilities, cash inflow on account of outstanding warrants, value of investments, cash and cash equivalents and capital work-in progress, after considering the tax wherever applicable to arrive at the equity value of MSP Steel and the Demerged Undertaking.

The equity value as arrived above is divided by the diluted / outstanding number of equity shares of the Companies to arrive at the value per equity share of MSP Steel and Demerged Undertaking.

Under CTM Method, the value of shares / business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

Based on our analysis and discussion with the Management, we understand that sufficient and reliable details of comparable transactions in India are not available in public domain, involving companies of similar nature and having a similar operating / financial metrics as that of MSP Steel and the Demerged Undertaking, therefore we have thought fit not to use CTM method to value the equity share of MSP Steel and Demerged Undertaking for the present valuation exercise.

FAIR SHARE ENTITLEMENT RATIO

The fair basis of Proposed Demerger of Manufacturing Business of MSP Sponge into MSP Steel would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different approaches, for the purposes of recommending a ratio of entitlement it is necessary to arrive at a single value for the equity share of MSP Steel and Demerged Undertaking. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the equity share of MSP Steel / Demerged Undertaking. Our exercise is to work out relative value of equity share of MSP Steel and of Demerged Undertaking to facilitate the determination of Share Entitlement Ratio. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

As mentioned above, we have considered a combination of Market Approach and Income Approach for arriving at the relative value per equity share of MSP Steel and of Demerged Undertaking.

The recommendation of Fair Share Entitlement Ratio for the Proposed Demerger of Manufacturing Business of MSP Sponge into MSP Steel by SSPA is tabulated below:

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Valuation Approach	MSP Steel		Demerged Undertaking	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach*	NA	NA	NA	NA
Income Approach - DCF Method (i)	43.65	50%	215.28	50%
Market Approach - Market Price Method (ii) - CCM Method (iii)	40.42 44.14	25% 25%	NA# 216.33	NA# 50%
Relative value per share (Weighted Average of (i), (ii) and (iii)) (A)	**42.96**	**100%**	**215.80**	**100%**
Value per share based on ICDR Pricing (B)	**40.48**		**NA**	**NA**
Relative value per share for the purpose of entitlement ratio (max (A) or (B))	**42.96**		**215.80**	
Share Entitlement Ratio *(rounded)*	**5 : 1 (MSP Steel : Demerged Undertaking)**			

NA = Not Applied / Not Applicable

* In the present case, the business of MSP Steel and the Demerged Undertaking are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.

The equity shares of MSP Sponge are not listed on any stock exchanges. Therefore, the Market Price Method has not been adopted for valuation of Demerged Undertaking.

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FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

MSP STEEL & POWER LIMITED

Company Secretary & Compliance Officer

MSP SPONGE IRON LIMITED

Company Secretary

Annexure 2 – Valuation Workings: Finvox Analytics

Bases and Premise of Valuation

Our valuation analysis of the equity shares of MSP Steel and Demerged Undertaking is in conformity with the ICAI Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India. The valuation of the equity shares of MSP Steel and Demerged Undertaking as on the Valuation Date is carried out in accordance with ICAI VS, considering 'relative value' base and 'going concern value' premise. Any change in the valuation base or the valuation premise would impact the valuation outcome.

Valuation Approaches

A brief explanation of each valuation approach is provided below.

Income Approach

The income approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires the projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business is the sum of the discounted cash flows.

Market Approach

The market approach considers actual arm's-length transactions for which the market value of investments alternative to the subject company can be observed. The value of a company or an ownership interest in the company can be estimated by developing relevant multiples for the comparative companies that relate value to underlying revenue, earnings, or cash flow variable, and then applying these multiples to the comparable underlying revenue, earnings, or cash flow variable for the subject company. The value multiples can be derived from guideline public company and comparable transactions of publicly traded companies or private companies.

Cost (Asset-Based) Approach

The asset-based (net underlying assets) approach is a form of the cost approach. The values of the individual assets (i.e., current, fixed, and intangible) of the business are estimated. The sum of the individual asset values represents the total asset value of the enterprise. The enterprise's liabilities related to working capital are deducted to arrive at an indication of value for the invested capital of the business. Because the cost approach does not always reflect the full value of intangible assets, it is often not appropriate to value an operating business completely on the basis of this approach without giving weights to other valuation methods. The cost approach may be relevant to the value of an operating business that is not sufficiently profitable and whose "breakup" values may be greater than its going concern value.

Valuation Methodologies

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. Different methodologies are adopted for the valuation of manufacturing, investment, consultancy, and trading companies.

Though there are no thumb rules for valuation, the method to be adopted has to be appropriate to the particular purpose for which valuation is being done as well as the attendant circumstances of each case. For example, a manufacturing company is generally valued on the combination of asset value and the

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FINVOX ANALYTICS IBBI/RV-E/ 06/2020/120 REGISTERED VALUER

earning potential of the business. An investment company is valued on the basis of the value of underlying assets.

However, the value is specific to the point in time and may change with the passage of time. The value is derived in the context of an existing environment that includes economic conditions, state of industry/market and state of business activities of companies being valued etc. as of the appointed date of valuation. The basis of valuation would depend upon the purpose of valuation, the type of business, the future prospects and other attendant circumstances.

Discounted Cash Flow Method ("DCF") – Income Approach

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 the case of assets with an 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. This method involves discounting of future cash flows expected to be generated by an asset over its life using an appropriate discount rate to arrive at the present value. The important inputs for the DCF method are (a) Cash flows; (b) Discount rate; and (c) Terminal value.

(a) The following are the cash flows that are used for the projections:

- Free Cash Flows to Firm ("FCFF"): FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders. Therefore, cash flows required to service lenders and preference shareholders such as interest, dividend, repayment of principal amount and even additional fund-raising are not considered in the calculation of FCFF.

- Free Cash Flows to Equity ("FCFE"): FCFE refers to cash flows available to equity shareholders and therefore, cash flows after interest, dividend to preference shareholders, principal repayment and additional funds raised from lenders/preference shareholders are considered.

(b) Appropriate Discount Rate - Discount Rate is the return expected by a market participant from a particular investment and shall reflect not only the time value of money but also the risk inherent in the asset being valued as well as the risk inherent in achieving future cash flows. In discounting the FCFF the appropriate discount rate is the weighted average cost of capital, which results in the enterprise value of the company. Whereas, in the case of FCFE the appropriate discount rate is the cost of equity, which results in the equity value of the company.

(c) Terminal Value – It represents the present value at the end of the explicit forecast period of all subsequent cash flows to the end of the life of the asset or into perpetuity if the asset has an indefinite life. There are different methods for estimating the terminal value. The commonly used methods are:

- Gordon (Constant) Growth Model;
- Variable Growth Model; and
- Exit Multiple;

Capitalization of Free Cash Flows Method – Income Approach

The capitalization of free cash flows method is an income-based approach which is used to value a business based on future estimated free cash flow to equity or free cash flow to the firm generated by a company. The projected free cash flow is capitalized using an appropriate capitalization rate. This method expresses a relationship between the following:

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FINVOX ANALYTICS IBBI/RV-E/ 06/2020/120 REGISTERED VALUER

Demerged Undertaking to facilitate the determination of the fair share entitlement ratio. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

We have independently applied the approaches/methods discussed above, as considered appropriate, and arrived at their assessment of the relative values per equity share of MSP Steel and the Demerged Undertaking. To arrive at the fair equity share entitlement ratio for the Scheme, suitable minor adjustments/rounding off have been done in the relative values arrived by Finvox.

The fair Share Entitlement Ratio has been arrived at on the basis of a relative valuation of the equity share of MSP Steel and Demerged Undertaking based on the approaches explained herein and various qualitative factors relevant to MSP Steel and Demerged Undertaking and the business dynamics and growth potential of their businesses, having regard to information base, management representation and perceptions, key underlying assumptions and limitations.

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share.

In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove in this report, we recommend the following fair share entitlement ratio for the proposed demerger of Manufacturing Business of MSP Sponge into MSP Steel, whose computation is presented as required under the BSE Circular number LIST/COMP/02/2017-18 dated May 29, 2017 and NSE Circular number NSE/CML/2017/12 dated June 01, 2017.

The calculation of the fair share entitlement ratio of MSP Steel and Demerged Undertaking is presented in the exhibit below:

Valuation Approach	**MSP Steel**		**Demerged Undertaking**	
	Value per share (INR)	**Weight**	**Value per share (INR)**	**Weight**
Asset Approach	NA	NA	NA	NA
Income Approach - DCF Method (i)	42.02	50%	209.82	50%
Market Approach - Market Price Method (ii) - CCM Method (iii)	 40.48 43.26	 25% 25%	 NA 211.86	 NA 50%
Relative value per share (Weighted Average of (i), (ii) and (iii)) (A)	**41.94**	**100%**	**210.84**	**100%**
Value per share based on ICDR Pricing (B)	**40.48**		**NA**	**NA**
Relative value per share for the purpose of entitlement ratio (max (A) or (B))	**41.94**		**210.84**	
Share Entitlement Ratio (rounded)	**5 : 1 (MSP Steel : Demerged Undertaking)**			

NA = Not Applied / Not Applicable

Notes to Exhibit:

- Asset Approach: As of the Valuation Date, MSP Steel and the Demerged Undertaking are intended to be continued on a going concern basis and there is no intention to dispose-off the assets/business. In a going concern scenario, the earning power, as reflected under the income/market approach, is of greater importance to the basis of the Proposed Transaction, with

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FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

MSP SPONGE IRON LIMITED
Varudha Agarwal
Company Secretary

MSP STEEL & POWER LIMITED
Company Secretary & Compliance Officer

- Estimated future benefits (earnings or cash flows)
- Yield (required rate of return) on either equity or total invested capital (capitalization rate)

It is important that any income or expense items generated from non-operating assets and liabilities be removed from estimated future benefits prior to applying this method. The value of net non-operating assets and liabilities is then added to the value of the business derived from the capitalization of earnings. The capitalization of FCFE/FCFF is a single period method that assumes a stable level of cash flow. This method is appropriate for valuing companies which have reached a stable stage and are expected to generate a stable level of cash flow in the future years.

Market Price Method – Market Approach

The market price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

Comparable Companies Multiples Method – Market Approach

This method involves reviewing valuation multiples for companies that are in the same or similar line of business as the company being valued and then applying the relevant valuation multiples to the subject company to determine its value. The theory behind this approach is that valuation measures of similar companies, as manifested through stock market valuations of listed comparable companies, should represent a good proxy for the specific company being valued. Depending on the source of data available and the underlying company being valued, a variety of valuation measures might be used including Enterprise Value ("EV") to Sales, EV to EBITDA, Price to Earnings, etc.

Comparable Transactions Multiples Method – Market Approach

This method involves reviewing transaction multiples for companies that are in the same or similar line of business as the company being valued and then applying the relevant transaction multiples to the subject company to determine its value. The transaction multiples are determined for the comparable transactions for which financial details are available in the public domain. The theory behind this approach is that valuation measures of similar companies, as manifested through market transactions (i.e. acquisition or equity funding), should represent a good proxy for the specific company being valued. Depending on the source of data available and the underlying company being valued, a variety of valuation measures might be used including Enterprise Value (EV) to Sales, EV to EBITDA, Price to Earnings, etc.

Net Assets Value Method – Cost (Asset-Based) Approach

The net asset value method is an asset-based approach to valuation where the value of the business is based on the difference between the value of the assets and liabilities of the business.

Recommendation of Fair Equity Share Entitlement Ratio

The fair basis for recommending the share entitlement ratio for the proposed demerger of Manufacturing Business of MSP Sponge into MSP Steel pursuant to the Scheme is dependent upon various factors and considerations mentioned hereinabove in this report. Though different values have been arrived at under different methods, for the purposes of recommending a ratio of entitlement it is necessary to arrive at a single value for the equity share of MSP Steel and the Demerged Undertaking. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of MSP Steel or the Demerged Undertaking. Our exercise is to work out the relative value of shares of MSP Steel or the

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FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

the values arrived at on the net asset basis being of limited relevance. Accordingly, the asset approach was not used for the valuation of MSP Steel and the Demerged Undertaking.

- Income Approach: From our review of the historical performance and management's projections, we note that MSP Steel has product portfolio across multiple stages of the steel manufacturing value chain, including pellets, sponge iron, billets, TMT bars and structural steel. Additionally, the company has captive power plant. This integrated operating structure provides the Company with the ability to progressively increase the extent of value addition within its operations and derive efficiencies from the interlinkages between its manufacturing facilities.

  The Company's revenue has increased in recent years, primarily driven by the improved operating matrix in the industry and increased utilisation of available production capacity resulting in higher dispatch volumes. Management expects the utilisation of existing facilities to improve further *during the forecast period, resulting in higher revenue. Additionally, the expansion in the scale of* operations is expected to result in further revenue growth. Management's projections indicate that the increase in downstream and value-added production will also contribute to the projected revenue profile. Accordingly, the forecast reflects both an increase in the underlying scale of the business and a gradual evolution in the product mix.

  From a profitability perspective, according to the Management, the projected improvement in margins is expected to arise primarily from the operating characteristics of the business as production volumes increase. In particular, greater utilisation of the manufacturing facilities should result in improved absorption of fixed costs and other operating expenses. This is expected to create operating leverage as incremental volumes are produced through the existing manufacturing infrastructure. In addition to the benefits of operating leverage, the Management expects economies of scale to become more pronounced as the company expands its operations. The increasing proportion of downstream and value-added products is also expected to contribute positively to profitability. Therefore, the projected margin improvement is not attributable to a single assumption but reflects the combined effect of higher capacity utilisation, increased *production volumes, better cost absorption and a progressively more value-added product mix. On* this basis, the projected financial performance reflects an expected strengthening of the company's operating profile as it moves towards a higher level of utilisation and scale.

  The Demerged Undertaking comprises pellet, DRI/sponge iron and rolling mill facilities and has a relatively integrated manufacturing setup. The nature of these operations allows the Demerged Undertaking to participate across multiple stages of the steel production process, with the rolling mill operations providing an avenue for further processing and value addition. This operating structure is an important consideration in assessing the projected performance.

  The Demerged Undertaking has experienced growth in revenue in recent years, supported by improved operating conditions in the steel sector and higher utilisation of its manufacturing facilities. The increase in production volumes has been a key contributor to the historical growth. Based on the information provided by the Management, the Demerged Undertaking is expected to maintain this growth during the forecast period.

  The revenue projections contemplate further improvement in the utilisation of the existing production facilities, resulting in an increase in output and corresponding sales volumes. In addition, the ramp-up of incremental manufacturing capacity is expected to provide another source of growth during the forecast period. Accordingly, the projected increase in revenue reflects a combination of organic growth from the existing asset base and the contribution expected from additional capacity as it becomes operational.

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FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

We also note that the projected growth is accompanied by an expected change in the composition of the Undertaking's revenues. Management expects a progressively higher contribution from downstream manufacturing activities. Such a shift is relevant not only to the revenue outlook but also to the expected profitability of the business, given the additional value captured through further processing of intermediate products.

The operating margin assumptions similarly contemplate a gradual improvement over the forecast period. The principal driver is expected to be the increase in capacity utilisation and production volumes. The anticipated increase in downstream and value-added manufacturing is expected to provide an additional benefit to profitability. Consequently, the projected improvement in operating margins reflects the combined impact of increased utilisation of the existing asset base, higher production volumes, improved fixed-cost absorption, economies of scale and a more favourable product mix. In our assessment, the projected financial performance is therefore consistent with a manufacturing business transitioning towards higher utilisation and greater value *addition across its integrated operations.*

Given the operating nature of the business of MSP Steel and the Demerged Undertaking and based on the multi-year financial projections provided by the Management, we have applied the income approach, utilizing the discounted cash flow method to compute the enterprise value of MSP Steel and the Demerged Undertaking. We made appropriate adjustments to the enterprise value for loan funds, redeemable preference share liability, contingent liabilities, cash inflow on account of outstanding warrants, value of investments and other non-operating assets/liabilities, after considering the tax wherever applicable, to arrive at the equity value and fair value per share of MSP Steel and the Demerged Undertaking.

- Market Approach: MSP Steel is listed on BSE and NSE. Accordingly, the value of the equity share of MSP Steel is calculated based on the market price method and the comparable companies multiples method. However, for the valuation of the Demerged Undertaking, we applied the comparable companies multiples method.

(i) Market Price Method

As previously discussed, the equity shares of MSP Steel are listed on both NSE and BSE and are frequently traded on the recognized stock exchanges. Accordingly, we have considered the share price of MSP Steel on NSE and calculated the value based on the market price method, using the market pricing formula given in the ICDR regulations.

According to Section 164(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, ("ICDR") for issuers that have been listed on a recognized stock exchange for a period of 90 days or more as of the relevant date, the price of equity shares to be allotted pursuant to the preferential issue shall not be less than higher of the following:

- The 90 trading days' Volume Weighted Average Price ("VWAP") of related equity shares quoted on the recognized stock exchange preceding the relevant date.

- The 10 trading days' VWAP of related equity shares quoted on the recognized stock exchange preceding the relevant date.

Based on the guidance given in the ICDR regulations for determining the share price, we have calculated the per share of MSP Steel using the formula of 90 days/10 days VWAP.

The equity shares of MSP Sponge (of which the Demerged Undertaking forms a part) are not listed on any recognized stock exchange. Accordingly, the market price method could not be applied for the valuation of the Demerged Undertaking.

(ii) Comparable Companies Multiples Method

In order to calculate the enterprise value of MSP Steel and the Demerged Undertaking, we used the EV/EBITDA multiples of comparable listed companies in India. We made appropriate adjustments to the enterprise value for loan funds, redeemable preference share liability, lease liabilities, contingent liabilities, cash inflow on account of outstanding warrants, value of investments, cash and cash equivalents and capital work-in-progress, after considering the tax wherever applicable, to arrive at the equity value and fair value per share of MSP Steel and the *Demerged Undertaking.*

(iii) Comparable Transactions Multiples Method

Our search for comparable transactions with a similar core business, sales size and other attributes did not yield a sufficient number of results to adequately perform this method. Accordingly, the comparable transactions multiples method was not used in our valuation of MSP Steel and the Demerged Undertaking.

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MSP STEEL & POWER LIMITED

Company Secretary & Compliance Officer

MSP SPONGE IRON LIMITED

Vasudha Agarwal

Company Secretary