

**Fairness Opinion Report on 'Valuation Report' issued for Proposed Scheme of
Arrangement between Nitin Castings Private Limited and Nitin Alloys Global Limited**

Prepared by



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February 6th, 2016

SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000011211

Notice to Reader

This report is prepared by Saffron Capital Advisors Private Limited ("Saffron") solely for the purpose of giving a fairness opinion on "Valuation Report" issued for the proposed "Scheme of Arrangement" between Nitin Castings Private Limited ("NCPL" or "The Demerged Company") and Nitin Alloys Global Limited ("NAGL" or "The Resulting Company") pursuant to clause 24(f) and 24(h) of the Listing Agreement and the Securities Exchange Board of India ("SEBI") Circular No CIR/CFD/DIL/5/2013 dated 4th February 2013 and CIR/CFD/DIL/8/2013 dated 21st May 2013. This report is not to be used, circulated, and quoted otherwise than for the purpose stated herein. This report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without Saffron's written consent.

For the purpose of this assignment, Saffron has relied on the Valuation Report dated February 06, 2016 prepared by SSPA & Co, Chartered Accountants [represented by CA Bhakti Shah (Firm Registration No. 128851W) having their head office situated at 1st Floor, "Arjun" Plot No. 6A, V.P. Road, Andheri (W), Mumbai – 400 058] for the proposed "Scheme of Arrangement" between Nitin Castings Private Limited & Nitin Alloys Global Limited and information and explanation provided to it, the accuracy where of has not been evaluated by Saffron. Saffron's work does not constitute certification or due diligence of the past working results and Saffron has relied upon the information provided to it as set out in audited and working results of the aforesaid reports.

Saffron has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of Nitin Alloys Global Limited pursuant to Clause 24 of the Listing Agreement, to the Stock Exchanges and to the Registrar of Companies.



Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed scheme of arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

The information contained in this Report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Report issued for the proposed Scheme of Arrangement between Nitin Castings Private Limited and Nitin Alloys Global Limited and may not be applicable or referred to or quoted in any other context.

For **Saffron Capital Advisors Private Limited**

A handwritten signature in blue ink is written over a circular purple stamp. The stamp contains the text "SAFFRON CAPITAL ADVISORS PRIVATE LIMITED" around the perimeter, "MUMBAI" in the center, and "08/12/16" at the bottom.

Authorised Signatory

Introduction and Scope of Assignment

1. The Resulting Company – Nitin Alloys Global Limited or “NAGL”:

Nitin Alloys Global Limited is a company incorporated under the Companies Act, 1956 as in force from time to time and has its registered office at 231, 2nd Floor, Rahul Mittal Industries Premises- Co-op. Society Limited, Sanjay Building No.3, Sir M.V. Road, Andheri (East), Mumbai-400 059.

Principal business activities of NAGL include:

- Alloy Steel Castings - Static
- Alloy Steel Castings – Centrifugal Pipe

The Shares of NAGL are listed on BSE Limited.

2. The Demerged Company – Nitin Castings Private Limited or “NCPL”:

NCPL is a company incorporated under the Act and has its registered office at 231, 2nd Floor, Rahul Mittal Industrial Premises Co-Op Soc. Limited, Sanjay Building No. 3, Sir M.V. Road, Andheri (East), Mumbai – 400 059, Maharashtra. NCPL was earlier known as Nitin Castings Limited and has been recently converted into a private limited company. It is engaged in real estate business, castings business and wind power generation. The Casting business comprises of manufacturing of pipes, castings of Alloys Steel.

3. Capital Structure

- 3.1 The authorized, issued, subscribed and paid-up share capital of NAGL as on March 30, 2015 is as under:

Share Capital	Amount in Rs. Crores
Authorized Share Capital	
50,00,000 Equity Shares of Rs. 10 each	5.00
Total	5.00



Share Capital	Amount in Rs. Crores
Issued, Subscribed and Fully Paid up Share Capital	
14,04,000 Equity Shares of Rs. 2 each, fully paid up	1.40
Total	1.40

Subsequent to the above Balance Sheet date and till the date of the Scheme being approved by the Board of Directors of NAGL, there has been no change in the issued, subscribed and paid up share capital of NAGL.

- 3.2 The authorized, issued, subscribed and paid-up share capital of NCPL as on March 31, 2015 is as under:

Share Capital	Amount in Rs. Crores
Authorized Share Capital	
32,50,000 Equity Shares of Rs.10/- each	3.25
Total	3.25
Issued, Subscribed and Paid-up Share Capital	
31,50,000 Equity Shares of Rs.10/- each, fully paid-up	3.15
Total	3.15

Subsequent to the above Balance Sheet date and till the date of the Scheme being approved by the Board of Directors of NCPL, there has been no change in the issued, subscribed and paid up share capital of NCPL.

4. The Scheme of Arrangement is presented under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 ("the Act"), for demerger of the Casting Business Undertaking carried out by Nitin Castings Private Limited ("NCPL" or "the Demerged Company"), on a going concern basis and vesting in Nitin Alloys Global Limited ("NAGL" or "the Resulting Company"). The Scheme also provides for various other matters consequential or otherwise integrally connected herewith.



5. The Group believes that the restructuring would benefit the companies and its stake holders on account of following reasons:
- Businesswise segregation of companies thereby ensuring focused management;
 - Improved Organizational capability and leadership;
 - Achieving operational and management efficiency; and
 - Ability to leverage financial and operational resources of each company.
6. Valuation has been decided based on the Valuation Report prepared by SSPA & Co, Chartered Accountants [represented by CA Parag Ved] (Firm Registration No. 128851W) having their head office situated at 1st Floor, "Arjun" Plot No. 6A, V.P. Road, Andheri (W), Mumbai – 400 058].
7. We, Saffron Capital Advisors Private Limited, a SEBI registered Category-I Merchant Banker, have been engaged to give a fairness opinion on Valuation Report issued for the proposed Scheme of Arrangement between NAGL and NCPL. The valuation mentioned herein reflects our independent opinion which is arrived at based on the information provided to us.



Exclusions and Limitations

- In this connection, Saffron has been requested by NAGL to submit a report by giving a fairness opinion on Valuation Report issued for the proposed Scheme of Arrangement of between NAGL and NCPL.
- We have prepared the Fairness Opinion on the basis of the following information provided to us / collated by us from publicly available sources, like website of BSE/NSE:
 - a) Audited Financial Statements of NAGL and NCPL for the year ended March 31, 2015
 - b) Draft Scheme of Arrangement provided by NAGL
 - c) Valuation Report issued by SSPA & Co, Chartered Accountants and
 - d) Such other information and explanations as we require and which have been provided by the management of the company
- Our valuation exercise and conclusions reached by us are dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report.
- Our report will not be offered to any section of the public to subscribe for or purchase any securities in or assets or liabilities of any company or business valued by us. This report is prepared with a limited purpose/ scope as identified/ stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or



circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.

Key Extracts of Valuation Report of SSPA & Co, Chartered Accountants

As requested by the management of Nitin Alloys Global Limited (hereinafter referred to as "NAGL") and Nitin Castings Private Limited (hereinafter referred to as "NCPL") (hereinafter collectively referred to as "Companies"), we have undertaken the valuation exercise of equity shares of NAGL and of 'Casting Business' of NCPL for recommending the fair equity share entitlement ratio for the purpose of proposed demerger of 'Casting Business' of NCPL into NAGL.

We have been informed that the Board of Directors of the Companies are considering a proposal for the demerger of 'Casting Business' of NCPL into NAGL in accordance with Section 2(19AA) of the Income Tax Act, 1961 and pursuant to provisions of Section 391 to 394 and other applicable provisions of the Companies Act, 1956. Subject to necessary approvals, 'Casting Business' of NCPL, (hereinafter referred to as the "Demerged Undertaking") would be demerged into NAGL with effect from the Appointed Date of April 1, 2015. In consideration of demerger of the Demerged Undertaking into NAGL, equity shares of NAGL would be issued to the equity shareholders of NCPL.

For this purpose, we have carried out valuation of the Demerged Undertaking and the equity shares of NAGL with a view to recommend fair equity share entitlement ratio of equity shares of NAGL to be issued to the equity shareholders of NCPL for consideration of the Board of Directors of the Companies.

For the purpose of valuation for demerger, generally the following approaches are adopted:

- (a) the "Underlying Asset" approach
- (b) the "Income" approach; and
- (c) the "Market" approach



The shares of NCPL as well as the Casting Business of NCPL is not listed on any stock exchange. Further the equity shares of NAGL are thinly traded. Hence, market approach has not been adopted.

Given the nature of the business in which the Companies and Demerged Undertaking are engaged, we have thought fit to consider the 'Underlying Asset' approach and the 'Income' approach for the present valuation exercise.

In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, a fair equity share entitlement ratio in the event of demerger of the 'Casting Business' of NCPL into NAGL would be:

10 (Ten) equity shares of NAGL of INR 10 each fully paid for every 27 (Twenty Seven) equity shares of NCPL of INR 10 each fully paid.

Conclusion and Opinion on Valuation Report

Conclusion:

We have reviewed the valuation report and based on the information, material data made available to us, to best of our knowledge and belief, the valuation suggested by the Valuer (SSPA & Co, Chartered Accountants) for the proposed Scheme of Arrangement is **Fair and Reasonable.**

