OMNIFIN

VALUATION REPORT
THE INDIAN STEEL & WIRE PRODUCTS LIMITED

CERTIFIED TO BE TRUE COPY

U. Mishra

U. MISHRA
V.P. (Finance & Accounts)
The Indian Steel & Wire Products Ltd.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

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To,
Board of Directors
The Indian Steel & Wire Products Limited
Flat-7D & E, 7th Floor, Everest House,
46C, Chowringhee Road, Kolkata
West Bengal 700071 India

Dear Sir/Madam,

Ref: Fair value of equity share of The Indian Steel & Wire Products Ltd as of 30th June, 2022.

Pursuant to our engagement with you ("the client") for valuation of shares of The Indian Steel & Wire Products Limited ("Company" or "**ISWPL**") to be carried on for the proposed merger of the Company with Tata Steel Ltd in a Cash Deal as of 30th June, 2022. The Company is registered under The Companies Act, 2013 (CIN - U27106WB1935PLC008447).

Our engagement is to value the equity shares of the Company in accordance with The Companies Act, 2013 using audited financial as of 30th June, 2022 (**"Valuation Date").**

Based on the information provided to us, we have arrived at the "Fair Value" ("Valuation" or "Value") of the Company **as of 30th June, 2022.** It should be noted that the valuation engagement is purely an analytical exercise based on the information and documents given to us. Our valuation conclusion will not necessarily be the price at which actual transaction will take place. Our report is not some advice on the transaction and should not be used as the basis of investment.

Based on our assessment, the **Fair value of Equity** of the company is **INR 25,514.82 Lakhs** leading to a **value per share** of **INR 425.82** as a weighted average of value arrived under multiple approaches. The detailed valuation report including computation of fair value of the equity shares of the Company and valuation rationale has been attached in subsequent pages.

Regards

VIKASH GOEL Digitally signed by VIKASH GOEL
Date: 2022.09.22 20:24:35 +05'30'

Vikash Goel,
Director, Omnifin Valuation Services (OPC) P Ltd
(IBBI Regd. No.: IBBI/RV/01/2018/10339)
(RVM No. RVOESMA/RVM/2020/0045)
Date: 22nd Sep 2022 | Kolkata

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

Contents

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

1.0 Purpose

We have been engaged for the purpose of assessing fair value of equity shares of the Company as of 30th June, 2022 for the purpose of merger with Tata Steel Limited using audited and projected financials.

2.0 Key dates

Appointment Date: We have been appointed by the management vide letter dated 29th Aug 2022.
Valuation Date: The value of the company should be considered to the value as on 30th Jun 2022.
Report Date: Our valuation report has been submitted as of 22nd Sep 2022.

3.0 Appointing authority / Intended users

We have been appointed by the Board of Directors of The Indian Steel & Wire Products Ltd **("Appointing Authority")** to value the company for the purpose of merger with Tata Steel Ltd. The Appointing Authority are the only authorized user of this report and is restricted for the purpose indicated in the report. This restriction does not preclude the Appointing Authority from providing a copy of the report to its internal stakeholders on a need-to-know basis, auditors, regulators, and third-party advisors as would be consistent with the intended use.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

4.0 About the valuer

Omnifin Valuation Services (OPC) Pvt Ltd ("Omnifin") is a Registered Valuer Entity under Insolvency and Bankruptcy Board of India (IBBI) having Registration No. IBBI/RV-E/01/2022/160. Omnifin holds a Certificate of Practice with RVO ESMA to value Securities and Financial Assets.

Vikash Goel (the "Valuer"), is a Director at Omnifin and is a Registered Valuer with IBBI. The Valuer is registered with the Insolvency and Bankruptcy Board of India to undertake the Valuation of Securities and Financial Assets of the Companies and holds a Certificate of Practice to practice as a valuer. Vikash is a Chartered Accountant (Fellow member of ICAI), CFA (ICFAI) and holds MS Finance and MBA in HR. He is also an alumnus of St Xavier's College, Kolkata, and hails from Indian Institute of Management Calcutta (IIM-C). Vikash has extensive experience of over 16 years spanning across Industry and Consulting and has worked with companies like PwC, EY, and ICA in India and Canada. Vikash has conducted valuation across a variety of spectrum including but not limited to Angel fund raising, Private equity exit, Private Placement, Valuation of shares under Income Tax, Investment advisory around valuation of shares, mutual funds, hedge funds and derivatives and has been exposed to global valuation and business modelling practices for companies.

5.0 Disclosure of valuer interest or conflict

We hereby certify that the valuer is suitably qualified and authorized to practice as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the company (including the parties with whom the company is dealing, including the lender, or selling agent, if any). The valuer accepts instructions to value the company only from the appointing authority or eligible instructing party.

We have no present or planned future interest in the company or its group companies, if any and the fee payable for this valuation is not contingent upon the value of shares reported herein.

It is possible that some of our group entities or related parties or employees may have some non-controlling and non-material stake in Tata Steel Ltd or Tata Group of Companies in the normal course of investment. Our valuation exercise is not jeopardised with such investment.

-- Over to next page --

THE INDIAN STEEL & WIRE PRODUCTS LIMITED ★ KOLKATA

6.0 Background Information about the company

The Indian Steel & Wire Products Ltd

CIN	U27106WB1935PLC008447	
Date of Incorporation	02/12/1935	
Registered Address	Flat-7D & E, 7th Floor, Everest House, 46C Chowringhee Road, Kolkata West Bengal 700071 India	
Listing status	Unlisted	
Directors and Key signatories	Amit Ghosh Neeraj Kant Ramya Hariharan Sandeep Bhattacharya Ashish Anupam Rabi Narayan Kar	[DIN: 00482967] [DIN: 06598469] [DIN: 06928511] [DIN: 07071894] [DIN: 08384201] [PAN: AKYPK5181A]
Authorised Share Capital	INR 7,00,00,000	
Paid up Share Capital	INR 5,99,18,960	

Established in 1920, the Indian Steel and Wire Products Limited became the first wire drawing company of the country. Nestled amidst the verdant surroundings of India's first industrial city, Jamshedpur, the company gradually spread roots and is now a primary manufacturer of wire rods, TMT rebars, wires, welding products, nails, rolls and castings.

The company became a subsidiary of Tata Steel Ltd in 2003 and is committed to the highest standards of quality and service. The Wire Rod Mill and Wire Mill act as the conversion agents of Tata Steel and Tata Steel Global Wires respectively, wherein the parent plant supplies the raw material and markets the finished good. The company is a pioneer in the rolls industry.

Marketed under the brand name 'JEMCO', the company's rolling and casting products boast of a prominent presence across the globe. The electrodes and nails divisions, under the umbrella of the brand name 'SPARK', also form an integral part of the company's business venture. Its state-of-the-art Welding Technology Centre further augmented by the treasure of experience and expertise in the field of welding consumables results in a quality that is distinguished and paramount.

Spread over an area of 350 acres, ISWP is equipped with a vast infrastructure comprising of a township with 800 houses, a hospital, a sports complex, and health club for the officers among others.

[Source: https://iswp.co.in/company-overview/]

-- Over to next page --

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

6.1 Industry Overview

India is currently the world's 2nd largest producer of crude steel in Jan-Dec 2021, producing 118.20 Million tonnes (MT) crude steel with growth rate 17.9% over the corresponding period last year. India is the largest producer of Direct Reduced Iron (DRI) or Sponge Iron in the world in Jan–Dec 2021, producing 39.04 MT Sponge Iron with growth rate 16.2% over the corresponding period last year. India is the 2nd largest consumer of finished steel in 2021 (106.23 MT), preceded by China as the largest steel consumer as per World Steel Association. Capacity for domestic crude steel expanded from 137.97 MT in 2017-18 to 154.06 MT in 2021-22, Compounded Annual Growth Rate (CAGR) of 3.7% during this five-year period. Crude steel production grew at 4.2% annually (CAGR) from 103.13 MT in 2017-18 to 120.29 MT in 2021-22.

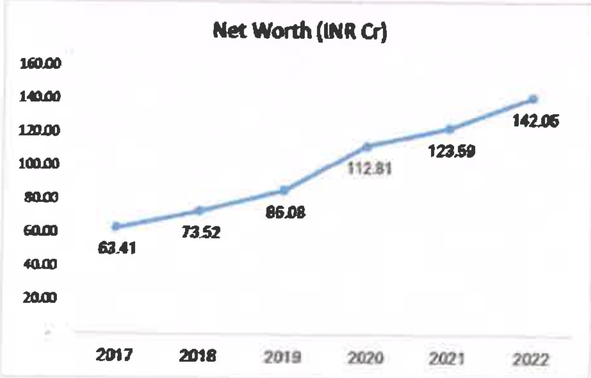
During Apr–Jul, 2021-22 (provisional; source: JPC), production of crude steel was at 41.09 MT, up by 8.9%. The Indian steel industry has entered into a new development stage, post de-regulation, riding high on the resurgent economy and rising demand for steel. In this role, the Government has released the National Steel Policy 2017, which has laid down the broad roadmap for encouraging long term growth for the Indian steel industry, both on demand and supply sides, by 2030-31. The Government has also announced a policy for providing preference to domestically manufactured Iron & Steel products in Government procurement.

The National Steel Policy, 2017 envisage 300 million tonnes of production capacity by 2030-31. The per capita consumption of steel has increased from 57.6 kgs to 74.1 kgs during the last five years. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kg/per capita to 38 kg/per capita by 2030-31.[1]

[1] IBEF.org/industry/steel

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

Company highlights



During the Financial Year ending March 2022, the company reported a Revenue growth of 25.9 percent along with a PAT Margin of 5.5 percent against 4.2 percent in FY 2021. The Return on Capital employed was 18 percent in FY 2022 against 13 percent in FY 2021.

We observed that over 75 percent of the company's revenue comes from Sale of Services to Tata Steel Ltd. Most of its sales are contracted under Cost plus mark-up method which insulates the company from significant fluctuations in raw material prices.

The company is investing into WRM capacity enhancement to the tune of INR 42 crore and another INR 6.5 Crore in Coil Yard shed. These have been reflected in the projected financial statements along with other maintenance capex.

Currently, the company has a Non-Operating Asset in the form of flats in Kolkata which have been let out to Tata Steel Ltd. The company has received a deposit of INR 14 Crore against the property apart from monthly rental income of ~ INR 60 lakhs per annum.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

7.0 Inspections and investigations

The Valuation of the equity shares of the Company is being done as on the Valuation Date considering the projections provided by the management, and documents produced before us for the purpose of ascertaining the fair value of unquoted equity shares of the Company.

We have relied on accuracy and completeness of all the information and explanations provided by the management. While we have applied the test of reasonability, we have not carried out any independent verification or validation to establish its accuracy or sufficiency.

We have received representations from the management and have accordingly assessed the fair value of the company. Our Valuation exercise is a Desktop Valuation based on documents provided, inquiries from the management and secondary research only. We believe that given the nature of the valuation and the underlying reports made available to us, it is plausible to carry out such valuation.

8.0 Sources of information

While performing the valuation, we have relied on the following sources:

- Brief received from the management about the company's background.
- Audited Financial Statements for the period as on 31st March 2022.
- Limited Reviewed Financial Statements as on 30th June 2022.
- Management certified projected financial statements for periods ending till 31st March 2027.
- Land Valuation Report received from Management for Investment in properties.
- Details of state of affairs as represented by the management as on the valuation date.
- We have also accessed public documents as available from external sources such as mca.gov.in to better understand and assess the value of the business.
- Market / industry information.

We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations, or liabilities of the Company. The valuation analysis and result are substantively based only on information contained in this report and are governed by concept of materiality.

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THE INDIAN STEEL & WIRE PRODUCTS LIMITED
KOLKATA

9.0 Caveats, limitations, and disclaimers

9.1. Restriction on use of Valuation Report: This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. The management of the Company are the only authorized user of this report and is restricted for the purpose indicated in the report. This restriction does not preclude the Appointing Authority from providing a copy of the report to its internal stakeholders on a need-to-know basis, auditors, regulators, and third-party advisors whose review would be consistent with the intended use. Our report is subject to the scope and limitations detailed hereinafter. 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. We do not take any responsibility for the unauthorized use of this report.

9.2. **Purpose:** Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

9.3. No advice towards investment or on transaction: Our Valuation report should not be construed as advice for the transaction. Specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction as stated in the purpose of engagement. We express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. We would not be responsible for the decision taken by anybody based on this report.

9.4. Responsibility of Registered Valuer: We owe responsibility to only to the appointing authority that has appointed us under the terms of the engagement. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions or advice given by any other person. 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 client or companies, their directors, employees, or agents. In any case, our liability to the management or any third party is limited to be not more than 50% of the amount of the fee received by us for this engagement.

9.5. Accuracy of Information: While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the appointing authority/management.

9.6. Achievability of the forecast results: We do not provide assurance on the achievability of the results forecast by the management as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of management.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

9.7. <u>Post Valuation Date Events:</u> An analysis of such nature is necessarily based on the prevailing stock market, financial, economic, and other conditions in general and industry trends as in effect on, and the information made available to us as of, the date hereof. The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Events occurring after the date hereof 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. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the Valuation Date.

9.8. <u>Range of Value Estimate:</u> The valuation of companies and assets is made based on the available facts and circumstances and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Although every scientific method has been employed in systematically arriving at the value, there is no indisputable single value, and the estimate of the value is normally expressed as falling within a likely range. To comply with the engagement's requirements, we have provided a range of value for the overall Fair Value of the assets of the Company, derived based on appropriate approaches. Whilst we consider the valuation to be both reasonable and defensible based on the information available, others may place a different value.

9.9. <u>No Responsibility to the Actual Price of the subject asset:</u> The actual market price achieved may be higher or lower than our estimate of value/value range depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place. 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 or swap ratio.

9.10. <u>Reliance on the representations of the management and other third parties:</u> In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given on behalf of the Company. The representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the management and other third parties concerning the financial data, operational data except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost, or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee, or agents.

9.11. <u>No procedure performed to **corroborate information taken from reliable external Sources:**</u> We have relied on data from external sources also to conclude the valuation. These sources are

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

9.12. **Compliance with relevant laws:** The report assumes that the company/business/asset complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies/business/assets will be managed in a competent and responsible manner. This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. Further, unless specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.

9.13. Multiple factors affecting the Valuation Report: The valuation report is tempered by the exercise of judicious discretion by us, considering the relevant factors. There will always be several factors, e.g., management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value.

9.14. **Questions, Appearances or Testimony in courts/ tribunals/ authorities:** Our engagement is limited to preparing the report to be submitted to the management. We shall not be liable to provide any evidence for any matters stated in the report nor shall we be liable or responsible to provide any explanation or written statement for any assumption, information, methodology or any other matter pertaining to the report. However, in case we are required to appear before any regulatory authority as per law, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and our tendering evidence before such authority shall be under the applicable laws.

9.15. **Fees and Independence:** We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid/to be paid for our services in no way influenced the results of our analysis.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

10.0 Valuation

The valuation exercise is aimed at the assessment of the Fair Value of the company. We are required to arrive at the above valuations based on internationally accepted valuation practices.

As per RICS Appraisal Manual, ICAI Valuation Standard (ICAI VS) 101, Ind AS (113) as well as **IFRS 13** defines fair value as *"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."*

10.1 Valuation bases and premise

ICAI valuation Standards 102 prescribes three bases of value viz;

- **Fair Value:** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.
- **Participant Specific Value:** Participant specific value is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants.
- **Liquidation Value:** Liquidation value is the amount that will be realised on sale of an asset or a group of assets when an actual / hypothetical termination of the business is contemplated/assumed. It may be orderly liquidation or forced sale.

The basis of valuation is Fair Value. The valuation is carried out on the premise of Going concern i.e., the company is expected to operate in the long run for an indefinite period.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

10.2 Valuation approach and methodology

Valuation is not an exact science and is dependent on various factors such as specific nature of business, economic life cycle in which the industry and company is operating, past financial performance of the business, future growth potential of the business, business model, management of the company, relevance of technology in the business model, liquidity of equity and much more.

As per ICAI VS 103 – Valuation Approaches and Methods, the principal approaches to valuation are:

a) Cost Approach
b) Market Approach
c) Income Approach and

Cost Approach

Cost approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). Value of a business entity using Cost Approach is estimated using either replacement value or realizable value. The net asset-based valuation technique is based on the value of the underlying net assets of the business, on a book value basis or realizable value basis or replacement cost basis. Under the Net Asset Value approach, total value is based on the sum of book value as recorded on the balance sheet of the company adjusted for changes in Fair Value of such assets or unrecorded liabilities.

Particulars as on Valuation Date (30-Jun-22)	Amount (INR Lakhs)
Total Value of Assets	21,502.48
Total Value of Liabilities	7,117.78
Less: Book Value of Non-Operating Assets	149.99
Less: Fair Value of Non-Operating Assets	6,642.00
Value of Equity	**20,876.71**
Value per share (INR)	**348.42**

We have not assigned any weight to value arrived under Cost Approach as the replacement cost or book value may not be representative of the Fair Value of the company.

Market Approach

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business. For securities that are traded on an exchange, the traded price is representative of the fair value.

For unlisted securities, comparable companies' trading multiples (CCM) or comparable transactions' multiples (CTM) may be used for valuing the securities. It is based on the principle that 'comparable transactions/market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation'.

The relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The commonly used trading multiples in pricing analysis are Enterprise Value (EV) to Sales ratio (EV/Sales) or Market Capitalization / Sales ratio, Enterprise Value to EBITDA ratio (EV/EBITDA), and Price Earnings ratio (P/E ratio).

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

We have assessed the value of the company based on EV/EBITDA multiple. The EV/EBITDA multiple was chosen based on industry peers and multiplied by the Annual EBITDA of the Company. These figures have been adjusted for Debt, Cash and Non-Operating Assets to arrive at Equity Value. Since the comparable companies demonstrated very divergent multiples, the average multiple may not be representative of the industry or the company. Accordingly, we have not assigned weight to the value arrived at under this method.

EV/EBITDA Multiple Method	Amount (INR Lakhs)
EV/EBITDA Multiplier	6.70x
EBITDA for FY 2022	2,433.06
Enterprise Value	13,601.50
Less: Debt on Valuation Date	1,400.00
Add: Cash on Valuation Date	2,050.73
Add: Value of Non-Operating Assets	6,642.00
Value of Equity	**23,594.23**
Value per share (INR)	**393.77**

As a benchmarking approach, we have also considered Price / Book Value Method as a method of valuation. Since the Company primarily operates in Steel (e.g., long products) we have considered comparable companies from the Steel Industry. Accordingly, we have used Price to Book value multiple (P/BV Multiple) as the method of valuation to represent the Fair Value of the company.

Price / Book Value Multiple Method	Amount (INR Lakhs)
P/BV Multiplier	1.51x
Book Value as on Valuation Date	14,384.7
Value of the Company	21,652.58
Value of Equity	**21,652.58**
Value per share (INR)	**361.36**

We have assessed the values closer to the report date. Based on our updated assumption, the P/BV Multiple as on 19-Sep-2022 was arriving at 1.42x leading to the Value of Equity of INR 20,462.24 Lakhs and a Value per share of INR 341.50. We believe that this is not a material difference between the valuation date and report date. Also, for the reasons stated above, we have not considered this approach for our reporting purposes.

Income Approach

This approach provides an indication of value by converting future cash flow to a single current value. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

Value of the business using Income approach is estimated based on the earning capacity of the entity or net present value of free cash flows (Discounted Cash flows or DCF) earned from the business. Present value is a tool used to link future amounts (e.g., cash flows or values) to a present amount using a discount rate. A fair value measurement using a present value technique captures all the following elements from the perspective of market participants at the measurement date:

(a) An estimate of future cash flows for the asset or liability being measured.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

(b) Expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows.
(c) The time value of money.
(d) The price for bearing the uncertainty inherent in the cash flows (i.e., a risk premium).
(e) Other factors that market participants would consider in the circumstances.

We have used Discounted Cash Flow Method as the method of valuation based on financial projections given to us. Under the Discounted Cash Flow Approach, the value of the firm's equity is the present value of future free cash flows discounted at the appropriate discount rate. DCF approach requires significant assumptions about the future earning potential as well as the discount rate.

1. **Going concern assumption**: We understand the company represents growth potential with no sign of default in the visible period. Accordingly, we have valued the company as a going concern.

2. **Free Cash Flows**: Based on the representation received from the management, the company is expected to generate positive free cash flows in the future years. We have considered the Discounted Cash Flow (DCF) method of valuation. Under the Discounted Cash Flow Approach, the value of the firm's equity is the present value of future free cash flow discounted at the appropriate discount rate. We have assumed a two stage Discounted Cash Flow Model for arriving at the value under this approach. The first stage is the explicit forecast period (till FY 2027) and then a terminal growth towards indefinite period. We have calculated Free Cash Flow for the Firm (FCFF) based on projected financial statements provided by the management.

3. **Discount Rate**: Since the cash flows used are FCFF, we have used the Weighted Average Cost of Capital (WACC), which incorporates the cost of both equity and debt to arrive at the firm value. Accordingly, the cash flows for each year have been discounted and brought to their present value applying the discounting factor based on WACC.

WACC = (Cost of Equity x Proportion of Equity) + (Post Tax Cost of Debt x Proportion of Debt)

- We have assessed the Cost of Equity using Capital Asset Pricing Model (CAPM) and have assigned an additional risk premium considering the uncertainty involved in achieving the projected financial numbers.
- For assessment of Beta, we have considered the long-term Beta of comparable companies and have adjusted the same for their Debt/Equity Ratio to arrive at the Unlevered beta. Since the company has no debt, the same Unlevered Beta is considered for calculating the Cost of Equity.
- We observe that since the company derives most of its revenues from Tata Steel Ltd, we believe that the company's cost of Equity should exceed as that of Tata Steel Ltd. Accordingly, we have assigned an additional risk premium of 5 percent to the arrived Cost of Equity under CAPM.
- Based on discussion with the management, the company plans to operate with 100 percent equity financing in the foreseeable future. Accordingly, our WACC is the same as Cost of Equity.

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

Risk free rate (Rf) [India 10 Yr Govt Bond yield]	*7.45%*
Market rate of return [BSE 500 10 Year CAGR]	*14.24%*
Beta (Based on comparable peers adjusted for D/E Ratio)	*0.60*
Cost of Equity as per CAPM	*11.50%*
Add: Additional Risk Premium (unsystematic risk)	*5.00%*
Cost of Equity (Ke)	*16.50%*

4. **Terminal Value:** We have estimated the explicit forecast period till FY 2027. We believe that the company will continue to demonstrate a long-term growth in Free Cash Flows at 4.23% as representative of the long term inflation rate in India.

5. **Number of shares:** As on the valuation date the total no. of **equity shares on a fully diluted basis is 59,91,896** of Face Value INR 10 each. Our primary analysis is on the Value of Equity of the Company rather than "value per share".

6. **Value of Equity from Enterprise Value:** Based on the above, we have arrived at the Enterprise Value using FCFF Approach. This firm value is adjusted for Debt and Cash to arrive at Value of Equity.

10.3 Valuation conclusion

Our Valuation Conclusion is based on the weighted average of the values arrived under each of the three approaches. Since the Discounted Cash Flow represents most comprehensive assessment of value, we have assigned 100 percent weight to this method.

Weighted Value	**Weights**	**Value of Equity (INR Lakhs)**	**Value per share (INR)**
Value as per Income Approach	100%	25,514.82	425.82
Value as per Market Approach (P/BV)	0%	21,652.58	361.36
Value as per Market Approach (EV/EBITDA)	0%	23,594.23	393.77
Value as per Cost Approach	0%	19,600.68	327.12
Weighted Value	**100%**	**25,514.82**	**425.82**

Accordingly, our assessed Value of Equity is **INR 25,514.82 Lakhs** or **INR 425.82** per share.

- Over to Annexure -

THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

10.4 Annexure 1: Financial Statements

Amount in INR Lakhs

Summary Profit & Loss Statement	31-Mar-21	31-Mar-22	30-Jun-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
	Audited	*Audited*	*Provisional*	*Projected*	*Projected*	*Projected*	*Projected*	*Audited*
Total Revenue	28,766.36	36,209.23	8,907.33	37,174.82	49,105.35	53,392.08	57,907.93	61,150.04
Total Expenses	27,140.37	33,603.82	8,727.98	34,742.19	45,953.31	49,925.74	54,069.44	57,371.39
Profit before Tax	1,625.99	2,605.41	179.35	2,432.63	3,152.04	3,466.34	3,838.48	3,778.65
Total Tax	--	624.26	49.72	393.01	652.17	877.30	1,069.82	1,126.06
Profit for the year	1,195.56	1,981.15	129.63	2,039.62	2,499.87	2,589.03	2,768.66	2,652.59

Amount in INR Lakhs

Summary Balance Sheet	31-Mar-21	31-Mar-22	30-Jun-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
Equity & Liabilities								
Equity Share capital	599.19	599.19	599.19	599.19	599.19	599.19	599.19	599.19
Reserve & Surplus	11,759.37	13,606.22	13,785.51	15,827.21	18,327.08	20,916.11	23,684.78	26,337.37
Shareholders' Funds	12,358.56	14,205.41	14,384.70	16,426.40	18,926.27	21,515.30	24,283.97	26,936.56
Total Non-Current Liabilities	2,940.65	2,987.03	2,882.83	2,919.79	2,919.79	2,919.79	2,919.79	2,919.79
Total Current Liabilities	4,026.03	4,014.04	4,234.95	3,895.03	4,032.77	4,228.09	4,433.84	4,581.55
Total Liabilities and Equity	19,325.24	21,206.48	21,502.48	23,241.22	25,878.83	28,663.18	31,637.59	34,437.90
Assets								
Total Non-Current Assets	7,679.69	8,064.72	9,155.45	11,745.40	11,856.03	11,737.88	11,523.49	11,346.39
Total Current Asset	11,645.54	13,141.76	12,347.03	11,495.82	14,022.80	16,925.29	20,114.10	23,091.51
Total	19,325.23	21,206.48	21,502.48	23,241.22	25,878.83	28,663.18	31,637.59	34,437.90

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THE INDIAN STEEL & WIRE PRODUCTS LIMITED KOLKATA

10.5 Annexure 2: Valuation as per Discounted Cash Flow

Amount in INR Lakhs

Particulars	30-Jun-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	Terminal
Year Count		*0.75*	*1.75*	*2.75*	*3.75*	*4.75*	*4.75*
Profit After Tax		2,039.62	2,499.87	2,589.03	2,768.66	2,652.59	2,764.80
Add: Depreciation		549.57	791.89	849.89	906.89	973.89	973.89
Add: Interest x (1-Tax Rate)		-	-	-	-	-	-
Less: Change in NC Working Capital		(2,060.93)	296.03	419.76	442.19	317.47	238.42
Less: Capital Expenditure		3,095.85	880.00	820.00	850.00	1,000.00	973.89
Free Cash Flow		**1,554.27**	**2,115.73**	**2,199.17**	**2,383.36**	**2,309.01**	**2,526.38**
Discounting Factor (Mid-Year convention)		0.9625	0.8262	0.7092	0.6088	0.5226	0.5226
PV of FCF		1,496.05	1,748.07	1,559.69	1,450.94	1,206.60	
Terminal Value							20,592.30
PV of Free Cash Flows (Explicit Period)	7,461.35						
PV of Terminal Value	10,760.75						
Firm Value	**18,222.09**						
Less: Financial Liability (Lease against Flat)	1,400.00						
Add: Cash and Cash Equivalents	2,050.73						
Add: Non-Operating Assets	6,642.00						
Value of Equity	**25,514.82**						
Number of shares	59,91,896						
Value per share (INR)	**425.82**						

CERTIFIED TO BE TRUE COPY

U. Mishra

U. MISHRA
V.P. (Finance & Accounts)
The Indian Steel & Wire Products Ltd.

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THE INDIAN STEEL & WIRE PRODUCTS LIMITED ★ KOLKATA