



# VC CORPORATE ADVISORS PVT LTD.

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## FAIRNESS OPINION REPORT

**FOR THE PROPOSED SCHEME OF AMALGAMATION OF**

**MACKEIL ISPAT & FORGING LIMITED**

**(TRANSFEROR COMPANY)**

**WITH**

**CHANDI STEEL INDUSTRIES LIMITED**

**(TRANSFeree COMPANY)**

**UNDER SECTION 230 - 232 AND OTHER APPLICABLE PROVISIONS**

**OF THE COMPANIES ACT, 2013**



**CERTIFIED TO BE TRUE COPY**

**Chandi Steel Industries Limited**

*Soma Choudhry*  
**Company Secretary**

SEBI AUTHORISED MERCHANT BANKERS  
SEBI REGN. NO. : INM000Q11096

Date: 31.07.2023

To,  
The Board of Directors/ Audit Committee,  
Committee of Independent Directors,  
Chandi Steel Industries Limited,  
3, Bentinck Street,  
Kolkata- 700001

Dear Sir,

***Sub: Fairness Opinion on the share exchange ratio of Mackeil Ispat & Forging Limited ("MIFL") recommended by the independent registered valuer for proposed Scheme of Amalgamation of MIFL into Chandi Steel Industries Limited ("CSIL") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.***

***Re: Fairness Opinion***

We refer to our discussion wherein Chandi Steel Industries Limited has appointed VC Corporate Advisors Private Limited (SEBI Registered Category I Merchant Banker) to provide a Fairness Opinion on the share exchange ratio issued by M/s. Resolute Valuers & Consultants Private Limited having CIN: U74999WB2019PTC232335 having its registered office at 104, S.P. Mukherjee Road, Sagar Trade Cube, 2nd Floor, Kolkata-700026 ("**Registered Valuer- Securities or Financial Assets**"), IBBI No: IBBI/RV-E/01/2019/111, Report dated 31.07.2023 in connection with the proposed amalgamation of Mackeil Ispat & Forging Limited ("**MIFL**" / "**Transferor Company**") with Chandi Steel Industries Limited ("**CSIL**" / "**Transferee Company**") (hereinafter referred to as "**Proposed Scheme/ Scheme of Amalgamation**").

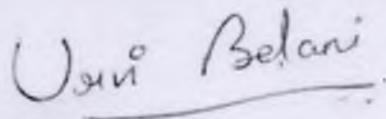


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In terms of our engagement, we are enclosing our opinion along with this letter. All comments as contained herein must be read in conjunction with the caveats to this opinion. The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**Listing Regulations**") read with SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 and it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of VC Corporate Advisors Private Limited, such consent will only be given after full consideration of the circumstance at the time. We are, however, aware that the conclusion in this report may be used for the purpose of disclosure to be made to the Stock Exchanges, National Company Law Tribunal ("**Tribunal**"), concerned regulatory authorities and notices to be dispatched to the shareholders and creditors for convening the meeting pursuant to the directions of Tribunal and we provide consent for the same.

Yours Faithfully,

**For VC Corporate Advisors Private Limited**



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Urvi Belani  
**(Vice President)**  
SEBI Reg. No. INM000011096



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## BRIEF ABOUT COMPANIES

**Mackeil Ispat & Forging Limited** (hereinafter referred to as "MIFL" or "Transferor Company") is a company incorporated under the provisions of the Companies Act, 1956, under corporate identification number U27109WB2005PLC104575 and having its registered office at Siddha Weston, 2<sup>nd</sup> Floor, Room No. 203, 9 Weston Street, Kolkata- 700013, West Bengal. The Transferor Company is engaged in the business of manufacturing/ forging of iron and steel items and its equity shares are not listed on any Stock Exchange.

**Chandi Steel Industries Limited** (hereinafter referred to as "CSIL" or "Transferee Company") is a company incorporated under the provisions of the Companies Act, 1956, under corporate identification number L13100WB1978PLC031670 and having its registered office at 3 Bentinck Street, Kolkata- 700001, West Bengal. The Transferee Company, inter alia, is engaged in the business of manufacturing alloy & non-alloy steel bars, alloy & non- alloy steel scrap. The equity shares of the Transferee Company are listed only on The Calcutta Stock Exchange Limited ("CSE").

**The share capital structure of the Transferor Company as on the date of approval by its Board to the Scheme is as follows:**

Particulars	INR
<b>Authorised Share Capital</b>	
2,00,00,000 equity shares of INR 10/- each, fully paid- up	20,00,00,000/-
<b>Total</b>	<b>20,00,00,000/-</b>
<b>Issued, Subscribed and Paid-up Share Capital</b>	
12,50,000 equity shares of INR 10/- each, fully paid- up	1,25,00,000/-
<b>Total</b>	<b>1,25,00,000/-</b>



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**The share capital structure of the Transferee Company as on the date of approval by its Board to the Scheme is as follows:**

<b>Particulars</b>	<b>INR</b>
<b>Authorised Share Capital</b>	
3,70,00,000 equity shares of INR 10/- each, fully paid- up	37,00,00,000/-
<b>Total</b>	<b>37,00,00,000/-</b>
<b>Issued, Subscribed and Paid-up Share Capital</b>	
3,16,05,000 equity shares of INR 10/- each, fully paid- up	31,60,50,000/-
<b>Total</b>	<b>31,60,50,000/-</b>

#### **RATIONALE OF THE SCHEME**

- (i) The Scheme provides for the amalgamation of the Transferor Company with the Transferee Company and will result in the following benefits:
- (a) the amalgamation would result in improving the potential for further expansion of businesses by way of consolidation of capital base and increased borrowing strengths of the combined entity;
  - (b) optimal utilisation of resources due to pooling of management, administrative and technical skills of various resources of both companies, better administration, and cost reduction, including reduction in managerial, administrative and other common costs;
  - (c) creation of asset base and facilitating access to better financial resources; and
  - (d) greater size, scale, financial strength and flexibility for the merged Transferee Company will result in maximizing and unlocking overall shareholders value.
- (ii) The Scheme is in the best interests of the shareholders, employees and the creditors of each of the Transferor and Transferee Company respectively.



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### **SHARE EXCHANGE RATIO FOR PROPOSED SCHEME OF AMALGAMATION**

The Board of the Transferee Company has appointed M/s. Resolute Valuers & Consultants Private Limited as Registered Valuer vide mandate letter 07.07.2023 to determine and recommend the Share Exchange Ratio for the Proposed Transaction, on a going concern basis with 1<sup>st</sup> April, 2023 as the Valuation Date.

In this connection and pursuant to the requirements of SEBI Circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023; we have been requested by the Board of Directors of the Transferee Company to render an opinion on whether the Share Exchange Ratio determined and recommended by the Registered Valuers vide their report dated 31.07.2023, is fair. Pursuant to Proposed Amalgamation, CSIL shall issue its equity shares of face value of INR 10/- each to the equity shareholders of MIFL holding equity shares of MIFL of Face value of INR 10/- each.

The fair exchange ratio has been arrived by the Registered Valuer on the basis of a relative equity valuation of the Companies based on the various approaches / methods and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations determined therein. The Registered Valuer has recommended the following Share Exchange Ratio:

- 1.94:1, i.e., equity shareholders of the Transferor Company shall receive 194 (One Hundred Ninety-Four) fully paid-up equity shares of INR 10/- (Indian Rupees Ten Only) each of Transferee Company for every 100 (One hundred) fully paid-up equity shares held by them of INR 10/- (Indian Rupees Ten Only) each ("New Equity Shares").



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It is also hereby clarified that no shares shall be issued by the Transferee Company in respect of the shares held by the Transferor Company in the Transferee Company.

In terms of the SEBI Master Circular bearing reference number SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, the fair value per share and fair exchange ratio have been laid down below:

Valuation Approaches	Chandi Steel Industries Ltd.		Mackeil Ispat & Forging Ltd	
	Value per share	Weight (%)	Value per share	Weight (%)
Asset Approach	-	-	-	-
Income Approach- Discounted Cash Flow Method	153.60	50.00	296.73	75.00
Market Approach - Market Price Method	-	-	-	-
Market Approach - Comparable Company Multiple Method	152.22	50.00	-	-
Market Approach - Comparable Transaction Multiple Method	-	-	295.15	25.00
Relative value per share	152.91	100.00	296.33	100.00
Share Exchange Ratio	1.94			

#### SOURCES OF INFORMATION

For the purposes of fairness opinion, we have relied upon the following sources of information received from the management of the Transferee Company:

- Audited Annual Accounts of CSIL and MIFL for F. Y. 2021- 2022 and F. Y. 2022-23;
- Management Certified Financial Projection of CSIL and MIFL from F. Y. 2023-24 to F. Y. 2027-28, with all relevant financial assumptions, from, as made available to us;
- Draft computation of Income Tax of CSIL and MIFL for A. Y. 2023-24;
- Shareholding Pattern of the Companies as on 31.03.2023 and revised shareholding pattern of CSIL post right issue;



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- Management Certified Draft Scheme of Amalgamation for the proposed restructuring;
- Brief Overview of the Companies and their past & current operations;
- NCLT order dated 21.09.2021 approving the resolution plan of MIFL submitted by Samriddhi Metals Private Limited.
- Recommendation of Fair Value Share Exchange/ Share Exchange ratio Report dated 31.07.2023 issued by M/s. Resolute Valuers & Consultants Private Limited.
- Such other information, explanations and representations that were required and provided by the Management; and
- Such other analysis, inquiries, and reviews as we considered necessary.

### **CONCLUSION AND OPINION**

"Subject to above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, we have reviewed the proposed Scheme of Arrangement with respect to the share exchange ratio recommended by the Registered Valuer to be fair and reasonable from the point of view of equity shareholders of the Companies.

### **CAVEATS**

1. We wish to emphasize that; we have relied on explanations and information provided by the respective management and other publicly available information. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.



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2. We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed / validated the financial data except what is provided to us by the Transferee Company and Transferor Company.
3. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Scheme, which might be relevant in the context of the transaction and which a wider scope might uncover.
4. We have no present or planned future interest in the Transferee Company and Transferor Company and the fee payable for this opinion is not contingent upon the opinion reported herein.
5. Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
6. The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Fairness Opinion Report. This opinion is issued on the understanding that the Management of the Restructured Companies under the Scheme have drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature.
7. We have no responsibility to update this report for events and circumstances occurring after the date of this Fairness Opinion.

Yours Faithfully,  
**For VC Corporate Advisors Private Limited**

*Urvi Belani*

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Urvi Belani  
(Vice President)  
SEBI Reg. No. INM000011096



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