



**REPORT OF THE AUDIT COMMITTEE OF JINDAL STAINLESS LIMITED
RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONG
JINDAL STAINLESS LIMITED, JINDAL STAINLESS (HISAR) LIMITED, JINDAL
UNITED STEEL LIMITED AND JINDAL COKE LIMITED AND THEIR RESPECTIVE
SHAREHOLDERS AND CREDITORS**

Members

- S. Khaitan Jyoti
1. Mr. Suman Khaitan
 2. Mr. T.S. Bhattacharya
 3. Mr. Gautam Kanjilal

1. Background

In accordance with the provisions of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 (which provides clarifications with respect to the aforementioned Circular) ("Circulars"), the draft Composite Scheme of Arrangement under Sections 391-394 read with Sections 100 – 103 of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956 and/or Sections 230-233 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 as may be applicable amongst Jindal Stainless Limited ("Company"), Jindal Stainless (Hisar) Limited, Jindal United Steel Limited and Jindal Coke Limited and their respective Shareholders and Creditors ("Scheme") was placed before the Audit Committee by the Company, to consider and recommend the draft Scheme to the Board of Directors of the Company taking into account *inter alia*, the valuation report dated December 27, 2014, from B S R and Associates and the fairness opinion dated December 27, 2014, from SPA Capital Advisors Limited.

This report is made in accordance with the requirements of the Circulars and Section 177 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules 2014, and the relevant rules, circulars and notifications issued under the Companies Act, 2013.

The report has been made after perusing the following necessary documents:

- a. Draft Scheme;
- b. Valuation report dated December 27, 2014, from B S R and Associates, independent chartered accountant; and
- c. Fairness opinion dated December 27, 2014, from SPA Capital Advisors Limited, independent merchant banker.

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Jindal Stainless Limited

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2. Proposed Scheme

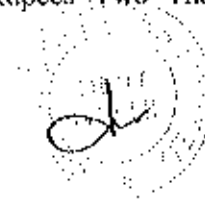
The Audit Committee perused the draft Scheme placed before it for its consideration and noted the rationale of the proposed Scheme, which is, *inter alia*, as follows: -

- (i) focused management of business verticals of the Company, Jindal Stainless (Hisar) Limited, Jindal United Steel Limited and Jindal Coke Limited in order to increase profitability and improve competitiveness;
- (ii) enable Jindal United Steel Limited and Jindal Coke Limited to increase capacity utilization and enable Jindal United Steel Limited and Jindal Coke Limited to increase profitability and improve competitiveness;
- (iii) enable the backward integration of the value chain at Odisha for the Company, Jindal United Steel Limited and Jindal Coke Limited;
- (iv) reduce the debt level of the Company and improve the serviceability of debt;
- (v) ensure the long term stability of the Company; and
- (vi) unlocking value for all the stakeholders of the Company to enable the Company, Jindal Stainless (Hisar) Limited, Jindal United Steel Limited and Jindal Coke Limited to focus on their respective core competencies.

The salient features of the draft Scheme are as under:

- (i) demerger of the Demerged Undertakings (*as defined in the Scheme*) and vesting of the same in Jindal Stainless (Hisar) Limited (a wholly owned subsidiary of the Company) in accordance with Section 2 (19AA) of the Income Tax Act, 1961 ("**Resulting Company**") ("**Demerger**"). As part of the scheme the shareholders of the Company would be issued shares by the Resulting Company as per the share entitlement ratio of 1:1, meaning thereby that for (i) every 1 (One) equity shares of face value Rs.2 (Rupees Two) each held in Company as on the Record Date (*as defined in the Scheme*), the equity shareholders of the Company shall be issued 1 (One) equity share of face value Rs. 2 (Rupees Two) each credited as fully paid-up in Resulting Company; and (ii) for every 1 (One) fully paid up compulsorily convertible preference share of face value of Rs. 2 (Rupees Two) each held in the Company as on the Record Date (*as defined in the Scheme*), the preference shareholders of the Company shall be issued 1 (One) compulsorily convertible preference share of Rs. 2 (Rupees Two) each credited as fully paid-up in the Resulting Company.
- (ii) transfer of the Business Undertaking 1 (*as defined in the Scheme*) of the Company and vesting of the same with the Resulting Company on a going concern basis by way of a Stump Sale (*as defined in the Scheme*) for a lump sum consideration of Rs. 2809,79,51,881 (Rupees Two Thousand Eight

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Hundred Nine Crore Seventy Nine Lakh Fifty One Thousand Eight Hundred and Eighty One) to be discharged in the manner provided in the Scheme in accordance with Section 2 (42C) of the Income Tax Act, 1961 (Slump Sale 1);

- (ii) transfer of the Business Undertaking 2 (as defined in the Scheme) of the Company and vesting of the same with Jindal United Steel Limited on a going concern basis by way of a Slump Sale (as defined in the Scheme) for a lump sum consideration of Rs. 2412,67,33,108 (Rupees Two Thousand Four Hundred and Twelve Crore Sixty Seven Lakh Thirty Three Thousand One Hundred and Eight) to be discharged in the manner provided in the Scheme in accordance with Section 2 (42C) of the Income Tax Act, 1961 ("Slump Sale 2");
- (iv) transfer of the Business Undertaking 3 (as defined in the Scheme) of the Company and vesting of the same with Jindal Coke Limited on a going concern basis by way of a Slump Sale (as defined in the Scheme) for a lump sum consideration of Rs. 492,64,70,730 (Rupees Four Hundred Ninety Two Crore Sixty Four Lakh Seventy Thousand Seven Hundred and Thirty) to be discharged in the manner provided in the Scheme in accordance with Section 2 (42C) of the Income Tax Act, 1961 ("Slump Sale 3");
- (v) the Demerger and the Slump Sale 1 will be made effective with effect from the close of business hours before midnight of March 31, 2014 (Appointed Date 1) and Slump Sale 2 and Slump Sale 3 will be made effective with effect from close of business hours before midnight of March 31, 2015 (Appointed Date 2).
- (vi) other matters incidental to the Scheme such as reduction of the securities premium account of the Company in accordance with the Scheme on account of the difference between the amount of assets and liabilities pertaining to the Demerged Undertakings (as defined in the Scheme) being transferred by the Company pursuant to Section 1 of the Scheme; cancellation of all of the Company's shareholding in Jindal Stainless (Hisar) Limited; increase in authorised capital of the wholly owned subsidiaries of the Company, namely, Jindal Stainless (Hisar) Limited, Jindal United Steel Limited and Jindal Coke Limited in accordance with the Scheme; issuance of equity shares by the Company to Jindal Stainless (Hisar) Limited in accordance with the Scheme; subscription of 17,50,00,000 (Seventeen Crore and Fifty Lacs) cumulative compulsorily convertible preference shares ("CCPS") of face value of Rs. 10/- (Rupees Ten only) each having a coupon rate of 0.01% per annum and having others terms as may be mutually agreed between the Company and Jindal United Steel Limited and set out in the terms of issue of such CCPS, by the Company in Jindal United Steel Limited; subscription of 8,76,73,311 (Eight Crore Seventy Six Lakhs Seventy Three Thousand Three Hundred and

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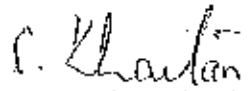


Eleven) non-cumulative non-convertible redeemable preference shares ("RPS") of face value of Rs. 10/- (Rupees Ten only) each and coupon rate of 10% per annum and having others terms as may be agreed mutually between the Company and Jindal United Steel Limited and set out in the terms of issue of such non-cumulative non-convertible RPS, by the Company in Jindal United Steel Limited; subscription of 2,60,00,000 (Two Crore and Sixty Lakhs) CCPS of face value of Rs. 10/- (Rupees Ten only) each having a coupon rate of 0.01% per annum and having others terms as may be agreed mutually between the Company and Jindal Coke Limited and set out in the terms of issue of such CCPS by the Company in Jindal Coke Limited ; and subscription of 9,16,47,073 (Nine Crore Sixteen Lacs Forty Seven Thousand Seventy Three) non-cumulative non-convertible RPS of face value of Rs. 10/- (Rupees Ten only) each and coupon rate of 10% per annum and having others terms as may be agreed mutually between the Company and Jindal Coke Limited and set out in the terms of issue of such non-cumulative non-convertible RPS, by the Company in Jindal Coke Limited, in accordance with the Scheme.

3. Recommendation of the Audit Committee

The Audit Committee has considered and noted the aforementioned documents along with the draft Scheme and, taking into account, *inter alia*, the valuation report dated December 27, 2014, from B S R and Associates and the fairness opinion dated December 27, 2014 from SPA Capital Advisors Limited, recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, the BSE Limited and the National Stock Exchange of India Limited, and the Securities and Exchange Board of India.

For and on behalf of Audit Committee


(Suman Jyoti Khaitan)
Chairman

Date: December 29, 2014

Place: New Delhi



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