

October 21, 2013

The Board of Directors
Uttam Galva Steels Limited
Uttam House,
69, P. D'Mello Road,
Mumbai - 400009

Dear Sir,

Sub : Fairness Opinion ("Opinion") on the valuation carried out by S.H. Bathiya & Associates, Chartered Accountants ("Valuer").

Re : Proposed Scheme of Amalgamation of Shree Uttam Steel And Power Limited ("SUSPL") with Uttam Galva Steels Limited ("UGSL") and their respective Shareholders.

The management of UGSL has requested us to issue Fairness Opinion on the valuation exercise carried out by S.H. Bathiya & Associates, Chartered Accountants ("Valuer") on the proposed scheme of Amalgamation of SUSPL with UGSL and their respective Shareholders.

1. INTRODUCTION

Uttam Galva Steels Limited, an Uttam Group company, is engaged in manufacturing of intermediate steel products viz Cold Rolled Steel and Galvanised Products and Colour Coated Products Coils and Sheets and entire gamut of steel products including other value added products. The market segment includes Appliance, General Engineering, Automotive, Construction, Packaging and Others.

Shree Uttam Steel and Power Limited, an Uttam Group company, is engaged in the business of trading in steel and is setting up integrated steel plant for manufacturing of steel and related products.

Pursuant to the exercise of consolidation, the Uttam Group is proposing to merge SUSPL into UGSL pursuant to the scheme of amalgamation under sections 391 to 394 of the Companies Act, 1956. The Equity Shares of the UGSL are presently listed at the BSE Limited and National Stock Exchange of India Limited and SUSPL is an unlisted Company

The Exchange Ratio for the Scheme of Amalgamation has been decided based on the valuation report prepared by S.H. Bathiya & Associates, Chartered Accountants, ("Valuer").

For the purpose of ascertaining the fairness of the valuation, UGSL has appointed Anand Rath Advisors Limited ("ARAL") as an Independent Merchant Banker for furnishing a Fairness Opinion ("Opinion") on the valuation carried out by the Valuer.



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Anand Rath Advisors Ltd.



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2. PURPOSE OF FAIRNESS OPINION

As per clause 24(h) of the listing agreement, the companies going through any arrangement/ amalgamation/ merger/ reconstruction/ reduction of capital, etc. are required to obtain a "Fairness Opinion" from an Independent Merchant Banker relating to the valuation of assets/ shares done by the Valuer.

3. RATIONALE OF THE SCHEME

- i. UGSL and SUSPL, both the Companies are associate of each other. The management of both the Companies is of view that capital investment required in setting up of production facilities is substantially high and it may not be possible to raise high capital from present shareholders of SUSPL.
- ii. SUSPL and UGSL being compatible in terms of nature of their business the amalgamation will result into consolidation of activities of group into single entity which are presently being multiplied because of it being separate entities.
- iii. The Amalgamation will provide significant impetus to growth of business of UGSL and able to access infrastructure which are being created by SUSPL for setting up of an integrated steel plant.
- iv. The Amalgamation will result in economies of scale, reduction in overheads, administrative, managerial and other expenditure, operational rationalisation, organizational efficiency, and optimal utilization of various resources and thereby give inherent strength to improve and expand and thus withstand competition from domestic as well as international markets.
- v. Duplication of administrative functions will be eliminated together with the multiple record-keeping, resulting in reduced expenditure.
- vi. The amalgamation will result in a significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both SUSPL and UGSL.
- vii. The Amalgamation will result in the larger pool of financial and other resources, which would strengthen financial position of the merged entity and result in increasing leveraging capacity of the merged entity and facilitating optimum utilization of assets and other resources.

4. LIMITATION OF SCOPE AND REVIEW

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the UGSL including the valuation report prepared by S.H. Bathiya & Associates and draft of the scheme of amalgamation prepared by HU Consultancy Private Limited

We have relied upon the accuracy and competences of all the information and documents provided to us including:

- i. Memorandum and Articles of Association of the UGSL and SUSPL.



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- ii. Audited Financial Statements of UGSL for the year ended March 31, 2011, March 31, 2012 and March 31, 2013.
- iii. Audited Financial Statements of SUSPL for the year ended March 31, 2012 and March 31, 2013.
- iv. Financial projections of UGSL for five (5) financial years (FY) from the FY 2013-14 to FY 2017-18.
- v. Financial projections of SUSPL for twelve (12) financial years (FY) from the FY 2013-14 to FY 2024-25.
- vi. Draft Scheme of Amalgamation of Shree Uttam Steel and Power Limited with Uttam Galva Steels Limited.
- vii. Report on the Valuation received from the Valuer.
- viii. Other data collected by us from publicly available sources.

We have not carried out any due diligence or independent verification for validation of such information to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any assets or liabilities of the SUSPL and/or its subsidiaries or the UGSL and/or its subsidiaries. In particular, we don't express any Opinion as to the value of any assets of the SUSPL and/or its subsidiaries or UGSL and/or its subsidiaries, whether at current price or in the future. No investigation of the Companies titled of assets has been made for the purpose of the exercise and the Company claims to such rights have been assumed to be valid. No consideration has been given to the liens or encumbrances against the assets, beyond the loans disclosed in the account. Therefore no responsibility whatsoever is assumed for matters of a legal nature.

Our Opinion is not intended to and doesn't constitute recommendation to any shareholder as to how such holder should vote or act in connection with the Schemes or any matter related thereto.

5. BRIEF BACKGROUND OF THE COMPANIES

UTTAM GALVA STEELS LIMITED

Uttam Galva Steels Limited is a listed company which was incorporated on March 29, 1985 vide Certificate of Incorporation issued by the Registrar of Companies, Mumbai. The shares of the Company are presently listed at the BSE Limited and National Stock Exchange of India Limited.

At present, its Registered Office is situated at Uttam House, 69, P. D'Mello Road, Mumbai - 400009

The Issued, Subscribed and Paid Up Capital of the Company is Rs. 1,42,26,01,030 (Rupees One Hundred Forty Two Crores Twenty Six Lakhs One Thousand and Thirty only) divided into 14,22,60,103 (Fourteen Crores Twenty Two Lakhs Sixty Thousand One Hundred and Three) Equity Shares of Rs. 10/- each.



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SHREE UTTAM STEEL AND POWER LIMITED

Shree Uttam Steel and Power Limited is an unlisted Company and was incorporated on the October 18, 2006 vide Certificate of Incorporation issued by the Registrar of Companies, Mumbai.

At present, the Registered Office of the Company is situated at Uttam House, 69, P. D'Mello Road, Mumbai - 400009.

The Issued, Subscribed and Paid Up Capital of the Company is Rs. 6,60,56,040 (Rupees Six Crores Sixty Lacs Fifty Six Thousand and forty only) divided into 66,05,604 (Sixty Six Lacs Five Thousand Six Hundred and Four) Equity Shares of Rs. 10/- each.

6. LEGAL DISCLAIMER

The management of UGSL has requested us to issue an Opinion on the valuation exercise carried out by the Valuer on the proposed scheme of amalgamation of UGSL and SUSPL and their respective shareholders. In preparing this Opinion, we have relied upon and assumed, without Independent verification, the accuracy and completeness of all the information provided to us.

In furnishing the Opinion, we reserve the right to amend or replace the Opinion at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have obligation to update, revise, or reaffirm the views expressed in the Opinion. Nothing contained within the Opinion is or should be relied upon as a promise or representation as to the future.

The Opinion is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executives and representatives of UGSL.

We have been in past provided and may currently or in the future provide investment banking services to the UGSL and/or its subsidiaries or their respective affiliates that are unrelated to the proposed scheme for which services we have received or may received customary fees. In addition in the ordinary course of their respective business, affiliates of Anand Rathi Advisors Limited may invest in the securities of UGSL and/or its subsidiaries or group companies, or for their own account and for the accounts for their customers and, according, may at any time hold a position in such securities. Our engagement and Opinion expressed herein are for the benefit of the Board of Directors of UGSL in connection with its consideration of the scheme and for none other. Neither Anand Rathi Advisors Limited nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied as to the information and documents provide to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.



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7. EXCHANGE RATIO RECOMMENDED

The Valuer has recommended following Exchange Ratio:

The fair exchange ratio of equity shares for the proposed Amalgamation of SUSPL with UGSL would be 11 (Eleven) fully paid up equity shares of face value of Rs. 10/- each of UGSL for every 1 (One) fully paid up equity share of face value of Rs. 10/- each of SUSPL.

8. OPINION ON VALUATION REPORT

Based on the information, material and data made available to us, including the valuation report and the workings thereto, we believe that the Exchange Ratio is fair to the Equity Shareholders of UGSL.

Thanking You,

For Anand Rathi Advisors Limited



Rahul Porwal
Director-Investment Banking



Place: Mumbai

Dated: October 21, 2013

