

QUINTESSENCE ENTERPRISES PRIVATE LIMITED

Adm. Off.: 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills,
Hyderabad - 500 034. Tele/Fax: +91-40-65528262

28th June, 2013

FAIRNESS OPINION CERTIFICATE ON AMALGAMATION OF SIMHADRI POWER LIMITED WITH STEEL EXCHANGE INDIA LIMITED

The Board of Directors,
Steel Exchange India Limited.
Flat No. 303, My Home Lakshmi
Nivas Apts, Ameerpet Greenlands,
Hyderabad- 500016, Andhra Pradesh.

The Board of Directors
Simhadri Power Limited
Flat No. 303, My Home Lakshmi
Nivas Apts, Ameerpet Greenlands,
Hyderabad- 500016, Andhra Pradesh.

Dear Sirs,

We, Quintessence Enterprises Pvt. Ltd., ('QEPL'), refer to our offer letter dated: 4th June, 2013 which has been duly accepted by you, whereby you have appointed us as an Independent Merchant Banker for furnishing a 'Fairness Opinion' on the valuation carried out by the Valuer, M/s K P & Associates, Chartered Accountants, vide report dated 24th June, 2013, pursuant to Clause 24 (f) of listing Agreement.

Steel Exchange India Limited (herein after referred as "SEIL") is a listed company engaged in the business of manufacturing of steel products and trading of steel related products.

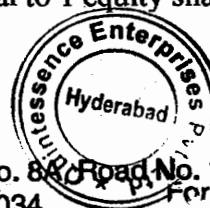
Simhadri power Limited (herein after referred as "SPL") is engaged in the business of generation and supply of Power.

The managements of both the companies are considering amalgamating "SPL" with "SEIL" on a going concern basis through a scheme of amalgamation under the provisions of Sections 391 to 394 of the Companies Act 1956 (the "Scheme").

The methodology used and the valuation arrived at, is based on the Valuation Report as on 31st March, 2013, furnished by M/s K P & Associates, Chartered Accountants, B-98, IInd floor, near Brahmam Talent School, Madhura Nagar, Hyderabad - 38.

The exchange ratio of equity shares between SPL and SEIL would be in the ratio of two equity shares of SPL of Rs. 10/-, each fully paid up for one equity share in SEIL of Rs.10/-, each fully paid up for every (i.e., 2 equity shares of SPL is equal to 1 equity share of SEIL) is fair.

Fairness Opinion of Amalgamation of SPL with SEIL



Page 1 of 8

Reg: office: 'NANDANAM' 8-2-603/1/VP, Plot No. 8 & Road No. 10, Banjara Hills,
Hyderabad - 500034 For STEEL EXCHANGE INDIA LIMITED

[Handwritten Signature]
Company Secretary

(59)

This is found to be fair, based on information, material and data made available to us.

We enclose herewith a Valuation Report by M/s K P & Associates, Chartered Accountants. We hereby give our consent to present and disclose the Fairness Opinion in the general meeting of the shareholders of "SPL" and "SEIL", pursuant to Clause 24 (f) of Listing Agreement and to the Registrar of Companies, Hyderabad, Bombay Stock Exchange limited ('BSE'), the Calcutta Stock Exchange Limited ('CSE') and the Honorable High Court of Andhra Pradesh and any other regulatory authorities in connection with the proposed purpose.

We thank you for the co-operation and support received by us from your representatives during the preparation of the said Fairness Opinion Report

Thanking you,

Yours faithfully,

For and on behalf of
Quintessence Enterprises Private Limited

Lavanya Chandra
Lavanya Chandra
Executive Director



53

QUINTESSENCE ENTERPRISES PRIVATE LIMITED

Adm. Off.: 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills,
Hyderabad - 500 034. Tele/Fax: +91-40-65528262

FAIRNESS OPINION CERTIFICATE ON AMALGAMATION OF SIMHADRI POWER LIMITED WITH STEEL EXCHANGE INDIA LIMITED

1. Purpose:

To give a Fairness Opinion on the Scheme of Amalgamation made under the provisions of Section 391 to 394 of the Companies Act, 1956 and relevant rules made there under for Amalgamation of Simhadri power Limited (herein after referred as "SPL") with Steel Exchange India Limited (herein after referred as "SEIL") and the fair equity share exchange ratio for the proposed merger for the consideration of the boards of the companies.

The company has to submit this Fairness Opinion to the Bombay Stock Exchange Limited and the Calcutta Stock Exchange Limited in accordance with clause 24 (f) of the listing agreement to obtain the no-objection certificate to go ahead with the Scheme.

2. Merchant Banker – Quintessence Enterprises Private Ltd (QEPL)

QEPL formed in 1999, is a Category I, Merchant Banking company, based in Hyderabad, Andhra Pradesh, having its registered office at 'NANDANAM' 8-2-603/1/VP, Plot No. 8A, Road No. 10, Banjara Hills, Hyderabad – 500034, and Administrative office at 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills, Hyderabad - 500034. It is SEBI registered with Registration Code INM000011997 valid till 31/07/2017, as Category I Merchant Banker.

3. Background

SEIL was originally incorporated in India under the Companies Act, 1956 with Registration No L74100AP1999PLC031191 as M/s. Pyxis Technology Solutions Private Limited. The name of the company has been changed to M/s Pyxis Technology Solutions Limited, on 24th February, 2000, with Registrar of Companies, Andhra Pradesh at Hyderabad. Subsequently, the name of the company has been changed to Steel Exchange India Limited on August 25, 2004.

The Registered Office of Company is situated at Flat No. 303, My Home Lakshmi Nivas Apts, Ameerpet Greenlands, Hyderabad – 500016, Andhra Pradesh.

Fairness Opinion of Amalgamation of SPL with SEIL

Reg: office: 'NANDANAM' 8-2-603/1/VP, Plot No. 8A, Road No. 10, Banjara Hills,
Hyderabad - 500034



Page 3 of 8

54

Steel Exchange India Limited, a trusted source for Quality of steel products since 2002.

SEIL has the following manufacturing units:

- A. Steel Ingot unit with Natural Gas based power plant
- B. Billet Unit
- C. Rolling Unit 2 Nos
- D. Wire Drawing Unit
- E. Sponge Iron Unit

The Company is listed on Bombay Stock Exchange (BSE) and Calcutta Stock Exchange (CSE).

SPL is in the business of generation and supply of power

SPL has established a 60 MW power Plant at SEIL Integrated Steel Plant Premises Malliveedu, L. kota Mandal, Vizianagaram District, Andhra Pradesh. The plant has a 50 MW CFBC boiler and 2 WHRBC boilers of 5 MW Capacity each. The waste flue gases of the DRI kilns of SEIL are used to generate power upto 10 MW. The CFBC boiler utilizes coal char and fines generated by the DRI kilns of SEIL and fresh coal. The power plant thus efficiently utilizes the waste generation of SEIL.

SPL is a captive power plant of SEIL promoted by SEIL. By virtue of the stipulations of CEA, i.e. if 26% of the paid up share capital of the power company is held by another company and if it supplies upto 51% of its power generated to that company then it is treated as a captive power plant of that company.

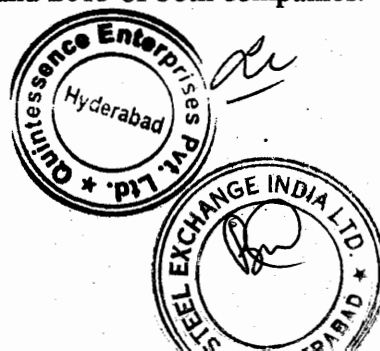
The company has started its commercial operations in the year 2012-13.

The Company is not listed on any stock exchanges in India and abroad.

The Registered Office of SPL is situated at 303, My Home Lakshmi Nivas, Green Lands, Ameerpet, Hyderabad, Andhra Pradesh – 500016

4. SOURCES OF INFORMATION

- A copy of the Memorandum and Articles of Association of the companies
- Audited financial statement for 2011, 2012 and 2013 of both companies.



- A certified copy of the draft scheme
- A certified copy of the Board Resolution
- A Valuation Report of the company by M/s K P & Associates, Chartered Accountants.

5. Business Valuation Methodology applied

We have received a Valuation certificate from M/s K P & Associates, Chartered Accountants, B-98, IInd floor, near Brahmam Talent School, Madhura Nagar, Hyderabad-500038, for the proposed Scheme of Amalgamation as on 31st March, 2013.

SEIL

The Valuers have considered a combination of three methods namely the Net Asset Value or the NAV, the Discounted Cash Flow or DCF and Market Price Method or MPM where they have taken the market price of the share quoted on the Stock Exchange as it is a listed company and assigned weights to NAV, DCF & MPM methods to arrive at the average values of equity share of SEIL. They have given the weights for Market Price Method 30%, Net Asset Value method a weight 40% and 30% weights given for Discounted Cash Flow method as while it takes into consideration future business potential, it is based on forecast. The weights given also appear to be reasonable so as to give a realistic valuation.

Particulars Weight Value

Particulars	Weight	Rs. In lakhs	
		Value	Value
Market Price Method	30%	39,041.46	11,712.44
Net Assets Value method	40%	18,729.04	7,491.61
Discounted Cash Flow method	30%	1,47,945.55	44,383.66
Value of the Business	100%		63,587.72
No. of Equity Shares of Rs. 10/-, each outstanding			519.50
Value per Share (Rs)			122.40
Value per Share - Rounded off (Rs)			122.00



56

SPL

The Valuers have assigned 30% weight to NAV & 70% weight to DCF methods to arrive at the average values of equity share of the Company. The weights appear to be appropriate as the company has just started commercial production and its future value has considerably increased due to this factor.

Particulars Weight Value

Particulars	Weight	Rs. In lakhs	
		Value	Value
Market Price Method	0%	-	-
EV / EBIDTA multiple	0%	-	-
Net Assets Value method	30%	9,164.34	2,749.30
Discounted Cash Flow method	70%	74,705.83	52,294.08
Value of the Business	100%		55,043.38
No. of Equity Shares of Rs. 10/-, each outstanding			900.00
Value per Share (Rs)			61.16
Value per Share - Rounded off (Rs)			61.00

Based on the above calculations the fair value one equity shares of SEIL is Rs. 122/-, having a face value of Rs. 10/-, each and the fair value of one equity share of SPL is Rs. 61/-, having a face value of Rs. 10/-, each.

The exchange ratio of equity shares between SPL and SEIL would be in the ratio of two equity shares of SPL of Rs. 10/-, each fully paid up for one equity share in SEIL of Rs.10/-, each fully paid up (i.e., 2 equity shares of SPL is equal to 1 equity share of SEIL)



6. Opinion on Valuation Report

As Merchant Bankers furnishing an opinion about the fairness of the valuation done by the valuer, based on the information, material, data made available to us including valuation report and workings to the best of our knowledge and belief, the methodology applied and the valuation and the swap ratio of 2:1 arrived at by M/s K P & Associates, Chartered Accountants, is fair.

That is 2 equity shares of SPL is equal to 1 equity share of SEIL.

7. Limitations on the Fairness Opinion.

The assignment did not include the following:

- An audit of the financial statements of the company
- Carrying out a market survey / financial feasibility for the Business
- Financial and Legal due diligence
- Our fairness opinion is based on the information made available to us by the management of SEIL and SPL. Any subsequent changes to the financial and other information provided to us, may affect the result of value analysis set out in this report.
- This report forms a fairness opinion on the valuation done by the valuer, M/s K P & Associates, Chartered Accountants to arrive at the for the proposed Scheme of Amalgamation, and thus constitutes a limited Fairness Opinion report from QEPL.
- Our fairness opinion includes review of audited financial statements of SEIL and SPL based on the information as mentioned by us in our report giving sources of information.
- We have reviewed the information made available to us for over all consistency and have not carried out any detailed tests in the nature of audit to establish the accuracy of such statements and information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the company.
- 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.



- In rendering this Opinion, QEPL has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly QEPL does not assume any responsibility in respect thereof. Further QEPL has assumed that the Scheme of Amalgamation will be implemented on the terms and conditions as set out in the draft Scheme of Arrangement, without any material changes to or waiver of its terms and conditions.
- We hereby declare that we do not have any direct or indirect interest in the Company / assets valued.

This report is issued on the understanding that it is solely for the use of the persons to whom it is addressed and for the purpose described above. We will not accept any liability or responsibility to any person other than those to whom it is addressed. The report must not be made available or copied in whole or in part to any other person without our express written permission.

It may further be noted that in no circumstances shall the liability of Quintessence Enterprises Private Limited (QEPL), its directors or employees related to the service provided in connection with this value analysis, exceed the amount paid to us as our fees for this opinion.

For Quintessence Enterprises Private Limited,



Lavanya Chandra
Executive Director



28/06/2013
Hyderabad

Encl (1) : Valuation Report by M/s K P & Associates, Chartered Accountants, B-98, IInd floor, near Brahmam Talent School, Madhura Nagar, Hyderabad – 500 038.

For STEEL EXCHANGE INDIA LIMITED


Company Secretary