Valuation Report

Procurve Valux Private Limited Registered Valuer Entity Registration No. IBBI/RV-E/02/2025/218 Office: E 716, Ganesh Glory 11, Jagatpur, S G Highway, Ahmedabad, Gujarat, India - 382481	Rajendra Sanghi, Registered Valuer (SFA) B / 2-D Siddhachakra Apt Parle Point, Surat – 395 007

Dated: June 25, 2026

To,

The Board of Directors / Audit Committee, VMS TMT LIMITED Survey No. 214, Near Water Tank, Bhayla, Ahmedabad, Bavla, Gujarat, India, 382220	The Board of Directors / Audit Committee, ADITYA ULTRA STEEL LIMITED Survey No-48, Wankarner Boudry, Bhalgam, National Highway 8-A, Wankaner, Rajkot, Wankaner, Gujarat, India, 363621

Sub: <u>Recommendation of Fair Equity Share Exchange Ratio for the proposed amalgamation of ADITYA ULTRA STEEL LIMITED ("AUSL") with VMS TMT LIMITED ("VMS")</u>

Dear Sir / Madam,

We refer to the engagement letters both dated 02 June 2026 issued to Procurve Valux Private Limited, a Registered Valuer Entity (hereinafter referred to as "PVPL"), and Mr. Rajendra Sanghi, a Registered Valuer (hereinafter referred to as "RS"), by VMS TMT Limited (hereinafter referred to as "VMS") and Aditya Ultra Steel Limited (hereinafter referred to as "AUSL"), respectively. Pursuant to the said engagements, PVPL and RS have been appointed to undertake the valuation exercise and recommend the Fair Equity Share Exchange Ratio in connection with the proposed amalgamation of AUSL with VMS.

The Fair Equity Share Exchange Ratio for this report refers to number of equity shares of VMS which would be issued to the equity shareholders of AUSL pursuant to the proposed amalgamation.

VMS TMT Limited ("VMS") and Aditya Ultra Steel Limited ("AUSL") are hereinafter jointly referred to as "Companies" or "Clients" or "Valuation Subjects". PVPL and RS are hereinafter jointly referred to as "Valuers" or "we" or "us" in this report.

We have considered the Valuation Date as 25th June, 2026 ("Valuation Date") for the purpose of this report.

SCOPE AND PURPOSE OF THIS REPORT

VMS TMT Limited is an India-based steel products manufacturing company. The company is a specialized manufacturer of high-strength Thermo-Mechanically Treated (TMT) bars and allied steel products, including billets and binding wires. The equity shares of VMS are listed on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE').

AUSL is a prominent manufacturer of high-quality rolled steel products, with a specialized focus on Thermo-Mechanically Treated (TMT) bars marketed under the flagship brand "Aditya TMT". The equity shares of AUSL are listed on NSE Emerge.

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We understand that the management of the Companies (hereinafter referred to as "the Management") is contemplating amalgamation of AUSL with VMS through a Scheme of Amalgamation (this step is hereinafter referred to as "Proposed Amalgamation").

The aforesaid restructuring is proposed to be undertaken pursuant to a Scheme of Amalgamation in accordance with the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, read with the applicable provisions of the Securities and Exchange Board of India Act, 1992, and the relevant SEBI circulars, master circulars and stock exchange requirements governing schemes of arrangement (the "Proposed Restructuring").

In this regard, the Board of Directors of VMS and AUSL have appointed PVPL and RS, respectively, as Registered Valuers for the purpose of determining and recommending the Fair Equity Share Exchange Ratio in connection with the proposed amalgamation of AUSL with VMS. Accordingly, PVPL and RS have jointly prepared this valuation report recommending the Fair Equity Share Exchange Ratio for the issuance of equity shares of VMS to the equity shareholders of AUSL pursuant to the Proposed Amalgamation (hereinafter referred to as the "Report").

We understand that the appointed date for the Proposed Amalgamation is 01 April 2026.

The scope of our services is to conduct a relative (and not absolute) valuation of equity shares of the Valuation Subjects and report a Fair Equity Share Exchange Ratio for the Proposed Amalgamation in accordance with ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India.

The Valuers have worked independently in their analysis. The Valuers have independently arrived at different values per share of the Valuation Subjects. However, to arrive at the consensus on the Fair Equity Share Exchange Ratio for the Proposed Amalgamation, appropriate minor adjustments, rounding off has been done in the values arrived at by the Valuers.

For the purpose of our valuation analysis, we have relied upon the audited financial statements of VMS and AUSL for the financial year ended 31 March 2026, along with other information and explanations provided by the managements of the respective companies. We have also considered prevailing market conditions and relevant market parameters as on the Valuation Date and have taken into account such additional information and developments as were made available to us up to the date of this Report. The Management has informed us that there are no unusual/abnormal events in the Companies materially impacting their operating/financial performance after 31 March 2026 till the Report date which are not disclosed to the public. Further, we have been informed by the Company that to the best of their knowledge, material information regarding the business has been disclosed to us.

We have relied on the above while arriving at the Fair Equity Share Exchange Ratio for the Proposed Amalgamation.

We have been informed that till the Proposed Amalgamation becomes effective, neither Companies would declare any substantial dividends having materially different yields as compared to past few years.

We have been informed that, in the event that either of the Companies restructure their equity share capital by way of share split / consolidation / issue of bonus shares before the Proposed Amalgamation becomes effective, the issue of shares pursuant to the Fair Equity Share Exchange Ratio recommended in this Report shall be adjusted accordingly to take into account the effect of any such corporate actions.
This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.

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SOURCES OF INFORMATION

In connection with this exercise, we have received/obtained the following information about the Valuation Subjects from the Management:

- Annual Reports for the year ended 31 March 2025 and earlier years for VMS and AUSL;
- Audited financials for year ended 31 March 2026 of VMS and AUSL;
- Business Plan of VMS and AUSL.
- Projected financial statements of VMS TMT and AUSL from 1 April, 2026 to 31 March, 2031;
- Discussions with the Management to obtain requisite explanation and clarification of data provided, to inter-alia understand their perception of historical and expected future performance of the Companies;
- Management Representation Letter (MRL)
- Other relevant information and documents for the purpose of this engagement

During the discussions with the Management, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. The Clients have been provided with the opportunity to review the draft report (excluding the recommended Fair Equity Share Exchange Ratio) as part of our standard quality review process to make sure that any factual inaccuracies, omissions, or inconsistencies in the information are avoided in our Report.

PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Obtained and reviewed relevant financial, operational, and qualitative information pertaining to the respective companies as considered necessary for the valuation exercise.
- Considered information available in the public domain relating to the companies, their industry, and comparable listed entities.
- Discussions (physical/over call) with the Management to:
  - Understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
- Undertook Industry Analysis:
  - Review of publicly available economic, industry, and market data relevant to the businesses of the companies;
  - Analysis of key trends and valuation multiples of comparable companies/comparable transactions using: Proprietary databases subscribed by us or our network firms
- Arriving at valuation of Valuation Subjects in order to determine the Fair Equity Share Exchange Ratio for the Proposed Amalgamation

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This Report is subject to the limitations detailed in respective engagement letters. 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.

This Report, its contents and the results herein are specific to (i) the purpose of the engagement; (ii) the Report Date; (iii) Audited financials of VMS, AUSL for year ended 31 March 2026 and (iv) other information obtained by us from time to time. We have been informed that the business activities of the Valuation Subjects have been carried out in the normal and ordinary course between 31 March 2026 and the Report date and that no material changes have occurred in their respective operations and financial position between 31 March 2026 and the Report date.

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The valuation analysis, conclusions, and recommendation of the Fair Equity Share Exchange Ratio contained in this Report are specific to the purpose of this engagement and have been prepared in accordance with the terms and conditions of our appointment. This Report should not be relied upon, used, or referred to for any purpose other than that expressly stated herein, nor should it be considered valid as of any date other than the Report Date. A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on and the information made available to us as of, the date hereof.

We have proceeded on the basis that the managements of the respective companies have disclosed all material facts, circumstances, and information that may have a bearing on the valuation and the recommended Fair Equity Share Exchange Ratio. We assume no responsibility or obligation to update, revise, supplement, or reaffirm this Report or the valuation conclusions expressed herein to reflect any events or circumstances occurring after the Report Date.

The recommendation rendered in this Report only represent our recommendation based upon information furnished by the Companies and gathered from public domain (and analysis thereon) and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

In the course of our valuation exercise, we were provided with financial, operational, business, and other relevant information, both written and verbal, by the managements of the respective companies and from publicly available sources. In accordance with the terms of our respective engagements, we have carried out relevant analyses and evaluations through discussions, calculations and such other means, as may be applicable and available, we have assumed and relied upon, without independently verifying (i) the accuracy of the information that was publicly available, sourced from subscribed databases and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Companies. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. Our valuation does not constitute as an audit or review in accordance with the auditing standards applicable in India, accounting / financial / commercial / legal / tax / environmental due diligence or forensic / investigation services and does not include verification or validation work. In accordance with the terms of our engagement / appointment letters and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical financials / financial information or individual assets or liabilities, provided to us regarding the Companies / subsidiary / associates / joint ventures / investee companies. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in such historical financials / financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the assumptions and information given by / on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. This Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited / unaudited balance sheets of the Companies / subsidiary / associates / joint ventures / investee companies, if any. No investigation of Companies' (or their investee companies) claim to title of assets has been made for the purpose of this Report and Companies' (or their investee companies) claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. Our conclusion of value assumes that the assets and liabilities of the Valuation Subjects, reflected in

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their respective latest balance sheets remain intact as of the Report date.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Clients are the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the Clients from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Clients or Companies, their directors, employees or agents. 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.

We have not carried out any physical verification of the assets and liabilities of the Valuation Subjects and take no responsibility for the identification of such assets and liabilities.

This Report does not look into the business/commercial reasons behind the proposed transaction nor the likely benefits arising out of it. Similarly, it does not address the relative merits of the proposed transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The valuation analysis and result are governed by concept of materiality.

The fee for the engagement is not contingent upon the results reported.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. This report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Amalgamation, without our prior written consent. In addition, this report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of the Proposed Amalgamation and we express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Amalgamation.

Though the Valuers are issuing a joint report, PVPL will owe the responsibility to only to the Board of Directors of VMS and RS will owe the responsibility to only the Board of Directors of AUSL who have been appointed under the terms of their respective engagement letters.

Disclosure of RV Interest or Conflict, if any and other affirmative statements

We do not have any financial interest in the Clients, nor do we have any conflict of interest in carrying out this valuation.

Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation. Sufficient time and information was provided to us to carry out the valuation.

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SHAREHOLDING PATTERN

VMS

The issued and subscribed equity share capital of VMS as of 31 March 2026 is INR 49.63 crores consisting of 4,96,31,210 equity shares of face value of INR 10 each.
The shareholding pattern as on 31 March 2026 is as follows:

Shareholding Pattern as on 31 March 2026	No. of Shares	% Shareholding
Promoter & Group	3,33,42,810	67.18%
Public	1,62,88,400	32.82%
Grand Total	**4,96,31,210**	**100.0%**

Source: Management

AUSL

The issued and subscribed equity share capital of AUSL as of 31 March 2026 is INR 24.84 crores consisting of 2,48,35,568 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern as on Valuation Date	No. of Shares	% Shareholding
Promoter & Promoter Group	1,70,77,060	68.76%
Public	77,58,508	31.24%
Grand Total	**2,48,35,568**	**100.0%**

Source: Management

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APPROACH FOR RECOMMENDATION OF FAIR EQUITY SHARE EXCHANGE RATIO

The Proposed Amalgamation contemplates the amalgamation of AUSL with VMS. For the purpose of determining the Fair Equity Share Exchange Ratio for the Proposed Amalgamation, it is necessary to determine the relative equity value of VMS and AUSL. Accordingly, the valuation of the respective companies has been undertaken independently on a standalone basis, without considering the impact or potential benefits arising from the Proposed Amalgamation. The Fair Equity Share Exchange Ratio has thereafter been determined based on the relative values so arrived at for the respective companies.

Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for Amalgamation and our reasonable judgment, in an independent and bona fide manner.

The Valuation Approach adopted by PVPL and RS is given in Annexure 1A and 1B respectively (Annexure 1A and 1B together referred to as Annexures).

BASIS OF FAIR EQUITY SHARE EXCHANGE RATIO

The basis of the amalgamation of AUSL with VMS would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the approaches / methods as mentioned in the Annexures, for the purposes of recommending the Fair Equity Share Exchange Ratio of equity shares it is necessary to arrive at a final value for each Valuation Subject. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of the Valuation Subjects, but at their relative values to facilitate the determination of the Fair Equity Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approaches / methods.

The Fair Equity Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of Valuation Subjects based on the various approaches / methods explained in the Annexures and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Valuation Subjects, having regard to information base, key underlying assumptions and limitations.

While we have provided our recommendation of the Fair Equity Share Exchange Ratio based on the information, assumptions, and representations made available to us and within the scope and limitations of our engagement, it is possible that other valuation professionals or advisors may arrive at different conclusions based on their respective analyses and judgments. The ultimate responsibility for approving and determining the Fair Equity Share Exchange Ratio for implementation of the Proposed Amalgamation rests with the Board of Directors of the respective companies. In arriving at their decision, the Board of Directors may consider various factors, including their independent evaluation of the Proposed Amalgamation, strategic and commercial considerations, and inputs from other advisors.

We have independently applied approaches / methods discussed in the Annexures, as considered appropriate, and arrived at the relative value per share of the Companies. To arrive at the consensus on the Fair Equity Share Exchange Ratio for the Proposed Amalgamation, suitable minor adjustments / rounding off have been done.

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In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following Fair Equity Share Exchange Ratio for the Proposed Amalgamation of AUSL with VMS:

75 (Seventy-Five) equity shares of VMS of INR 10/- each fully paid up for every 100 (Hundred) equity shares of AUSL of INR 10/- each fully paid up.

It should be noted that our scope of work is limited to undertaking the valuation exercise and recommending the Fair Equity Share Exchange Ratio for the Proposed Amalgamation. Further, we have not evaluated or commented upon any accounting, legal, regulatory, tax, or other implications arising from the Proposed Amalgamation, and the same are outside the scope of our engagement.

Respectfully submitted, **For Procurve Valux Private Limited** Registered Valuer Entity Registration No. IBBI/RV-E/02/2025/218 **CA Sejal Agrawal (Director)** For and on behalf of Procurve Valux Private Limited VRN: **IOVRVF/PVP/2026-2027/7556** Place: **Ahmedabad** Date: **25/06/2026**	Respectfully submitted, **For Rajendra Sanghi,** Registered Valuer (SFA) IBBI Registered Valuer No.: IBBI/RV/06/2021/14418 **Rajendra Sanghi** ICAI Membership No.**085979** Registered Valuer No.: IBBI/RV/06/2021/14418 UDIN: **26085979FBTHYT9419** Place: **Surat** Date: **25/06/2026**

Annexure 1A - Approach to Valuation – PVPL.

For the purpose of valuation, generally following approaches can be considered, viz,

(a) the 'Cost' approach;
(b) the 'Market' approach; and
(c) the 'Income' approach

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

Cost Approach

The Cost Approach reflects the current replacement cost of an asset. In the present case, the businesses of VMS and AUSL are considered on a going concern basis and there is no intention to dispose of the underlying assets. Accordingly, the Cost Approach has not been considered appropriate for the present valuation exercise.

Market Approach

In the present case, the equity shares of both VMS and of AUSL are listed and frequently traded on recognized stock exchanges. Therefore, we have thought fit to use Market Price Method for valuation of equity shares of VMS and AUSL under Market Approach.

Market Price Method

The market price of an equity share quoted on a recognized stock exchange is generally considered to be an indicator of the fair value of the equity shares of a company, provided that such quotations are derived from regular, active, and freely traded transactions in the shares. However, the quoted market price may also reflect market sentiments, liquidity factors, speculative elements, and other external factors that may influence the observed trading price of the shares.

As mentioned above, the equity shares of VMS and of AUSL are listed on recognized stock exchanges. The value of equity shares of VMS and of AUSL under this method is determined considering the share prices of VMS and AUSL on NSE over an appropriate period of 90 days.

Comparable Companies Multiple Method ("CCM")

The Comparable Companies Multiple (CCM) Method under the Market Approach has been considered appropriate for valuing the Company, as it reflects valuation parameters of comparable companies operating in similar industries. Among the various market multiples, the Enterprise Value to EBITDA (EV/EBITDA) multiple has been considered for the valuation.

Under the Comparable Companies Multiple Method, we have computed the fair value of AUSL and VMS by applying EV/EBITDA multiples to its EBITDA as of March 31, 2026.

Income Approach

Under Income Approach, equity shares of VMS and of AUSL are valued using Discounted Cash Flow ('DCF') Method.

Under DCF method, the projected free cash flows from business operations, after considering fund requirements for projected capital expenditure and incremental working capital, are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

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The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to earnings before interest and tax (i) depreciation and amortizations (non-cash charge), and (ii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

The Weighted Average Cost of Capital (WACC) has been considered as the appropriate discount rate under the DCF Method, as it reflects the overall business and financial risks of the Company and represents the weighted average cost of equity and cost of debt.

To the value so arrived, appropriate adjustments have been made for loan funds, value of investments, cash and cash equivalents and money to be received on exercise of stock options, to arrive at the equity value.

The value as arrived above is divided by the diluted / outstanding number of equity shares to arrive at the value per equity share of VMS and of AUSL.

Recommendation of Fair Equity Share Exchange Ratio:

Our exercise is to work out relative value of equity shares of VMS and of AUSL to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

As mentioned above, we have considered a combination of Cost Approach, Market Approach and Income Approach for arriving at the relative value per equity share of VMS and of AUSL. The values under each of the approaches is given in the table below:

Valuation Approach	AUSL (A)		VMS (B)	
	Value per Share of AUSL (INR)	Weight	Value per Share of VMS (INR)	Weight
Market Approach				
Comparable Companies Multiple Method				
Market Approach based on EV/EBITDA Multiple (i)	11.59	30%	43.81	30%
Market Price Method (ii)	20.82	20%	45.06	20%
Income Approach based on DCF Method (iii)	57.11	50%	51.80	50%
Cost Approach*	41.61	0%	45.97	0%
Relative Value per Share (Weighted Average of (i),(ii) and (iii).	36.20		48.05	
Fair Equity Share Exchange Ratio (A:B) (Rounded)	**1:0.75**			

** Since, the business of AUSL and VMS are both intended to be continued on a 'going concern basis' and there is no intention to dispose off the assets, therefore the Asset (Cost) Approach is not adopted for the present valuation exercise.*

The Comparable Companies (Peers) for EV/EBITDA method is as follows.

Peers - EV/EBITDA					
Sr.No	Name of Company	No of Equity Shares (In Lakhs)	Price Per Share [31-03-2026]	Market Capitalization	EV/EBITDA
1	Kamdhenu Limited	2,818.83	17.35	48,906.70	4.30
2	Vraj Iron and steel Limited	329.83	94.25	31,086.12	5.32
3	Beekay Steel Industries Ltd	190.72	325.95	62,165.35	8.17
4	Gallantt Ispat Limited	2,412.81	549.35	13,25,476.87	17.14
5	Bmw Industries Limited	2,250.86	26.70	60,098.08	5.31
				Average	**8.05**
				Discount-15%	**1.21**
				Net Average	**7.00**

A 15% discount has been applied to the peer group average EV/EBITDA multiple to reflect the Subject Company's relatively smaller scale, lower market capitalization, and lower liquidity compared to the selected peers, resulting in a conservative and appropriate valuation multiple.

The peer companies, as represented by the Management, have been selected based on similarities in business activities, operational characteristics, and revenue streams, and are considered reasonably comparable to the Company. Accordingly, their trading multiples provide a relevant benchmark for assessing the valuation of the Company under the market approach.

The long-term growth rate has been determined with reference to industry growth indicators available on Professor Aswath Damodaran's database for emerging markets. While the indicative growth rate for the steel industry was approximately 0.62%, it has been prudently adjusted to 2.0% considering the relatively stronger long-term growth prospects of the Indian steel industry.
(Source: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/dataarchived.html#growth)

The CSRP has been determined based on professional judgment, considering company-specific factors such as size, liquidity, marketability, and risk profile, with reference to internationally accepted valuation practices and valuation literature. Accordingly, a CSRP of 3.0% has been applied to the main-board listed company, while a higher CSRP of 5.0% has been applied to the SME-listed company to reflect its relatively smaller scale, lower trading liquidity, and higher perceived risk profile.

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Aditya Ultra Steel Limited ★

Annexure 1B- Approach to Valuation - RS

It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose.

For the purpose of determining the value of the Valuation Subjects, the valuation base considered is 'Fair Value'. The valuation has been undertaken on a 'going concern' basis, assuming the continued operation of the businesses in their present form. Any change in the valuation base or premise of value may have a material impact on the valuation analysis and the conclusions presented in this Report.

It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018 has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. IVS are mandatory for a valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. I have given due cognizance to the same in carrying out the valuation exercise.

IVS 301 on Business Valuations deals with valuation of a business or business ownership interest (i.e. it includes valuation of equity shares).

IVS 301 specifies that generally, the following three approaches are used for valuation of business/business ownership interest:

1. Market approach
2. Income approach
3. Cost approach

Each of the above approaches are discussed in the following paragraphs.

Market Price Method:

This method involves determining the value of an equity share based on its quoted market price on a recognized stock exchange over an appropriate period of time. The equity shares of VMS are listed on NSE and BSE, while the equity shares of AUSL are listed on NSE. Since the equity shares of both companies are frequently traded, the market price has been determined based on the weighted average price on NSE over a period of 120 trading days preceding the Valuation Date.

Income Approach

Income approach is a valuation approach that converts maintainable future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted, or capitalised) amount. An approach based on earnings is relevant in case of companies generating a steady stream of income.

- *Estimating future free cash flows:*

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's capital – both debt and equity.

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- *Appropriate discount rate to be applied to cash flows i.e., the cost of capital:*

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

I have used this approach for valuation of shares of VMS and AUSL for which forecasts were made available to me by the Managements.

Cost Approach:

The Cost Approach is a valuation approach that determines the value of an asset based on the current cost required to replace its service capacity. As per IVS 103 on Valuation Approaches and Methods and IVS 301 on Business Valuations, the commonly used methodologies under this approach include the Replacement Cost Method and the Reproduction Cost Method. These methods estimate value based on the cost required to recreate or replace an asset with substantially similar utility as the asset being valued.

In a going concern scenario earning power of a business, as reflected under the Earnings based and Market approaches, is of greater importance, with the values arrived at on the net assets basis being of limited relevance.

Fair Valuation:

I have arrived at the fair value of equity shares of VMS and AUSL by applying equal weights to the value derived under DCF method under income approach and Market Price Method. The value for Market Price Method is derived using the weighted average price on NSE over a period of 120 days prior to the Valuation Date.

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VMS TMT LIMITED

Aditya Ultra Steel Limited

The computation of Fair Equity Share Exchange Ratio for amalgamation of AUSL with VMS by RS is tabulated below:

Valuation Approach	AUSL (A)		VMS (B)	
	Value per Share of AUSL (INR)	Weight	Value per Share of VMS (INR)	Weight
Market Approach				
Market Price Method	21.16	50%	47.28	50%
Income Approach based on DCF Method	52.77	50%	50.61	50%
Cost Approach*	41.61	0%	45.97	0%
Relative Value per Share (Weighted Average of (i),(ii) and (iii)	36.96		48.95	
Fair Equity Share Exchange Ratio (A:B) (Rounded)	**1:0.75**			

** As mentioned under the Cost Approach, in a going concern scenario earning power of a business, as reflected under the Earnings based and Market approaches, is of greater importance, with the values arrived at on the net assets basis being of limited relevance.*

The long-term growth rate has been determined with reference to industry growth indicators available on Professor Aswath Damodaran's database for emerging markets. While the indicative growth rate for the steel industry was approximately 0.62%, it has been prudently adjusted to 3.0% considering the relatively stronger long-term growth prospects of the Indian steel industry.
(Source: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/dataarchived.html#growth)

Based on professional judgment and considering factors such as industry cyclicality, size, market capitalization, liquidity, marketability, and overall risk profile, a CSRP of 5.0% has been considered for VMS and 7.5% for AUSL. The higher premium for AUSL reflects its SME-listed status, relatively lower liquidity, and higher perceived risk profile.

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Thanking You

VMS TMT LIMITED

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