Annexure - 4A

एनएमडीसी

NMDC

एन एम डी सी लिमिटेड
NMDC Limited
(भारत सरकार का उद्यम) (A GOVT. OF INDIA ENTERPRISE)
पंजीकृत कार्यालय : 'खनिज भवन', 10-3-311/ए, कैसल हिल्स, मासाब टैंक, हैदराबाद - 500 028.
Regd. Office : 'Khanij Bhavan' 10-3-311/A, Castle Hills, Masab Tank, Hyderabad - 500 028.
नैगम पहचान संख्या / Corporate Identity Number : L13100TG1958 GOI 001674

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF NMDC LIMITED IN ITS MEETING HELD ON 13.07.2021 EXPLAINING THE EFFECT OF THE SCHEME OF ARRANGEMENT AMONST NMDC LIMITED AND NMDC STEEL LIMITED ON EQUITY SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTER SHAREHOLDERS, AND THE PARTICULARS OF THE VALUATION REPORT:

I. Background

1.1 The Scheme of Arrangement (the "**Scheme**") is proposed between NMDC Limited ("**Demerged Company**") and NMDC Steel Limited ("**Resulting Company**") and their respective shareholders and creditors for the demerger of the 'Demerged Undertaking' (as defined under the Scheme).

1.2 **The proposed Scheme involves:**

1.2.1 Demerger of the Demerged Undertaking of the Demerged Company to the Resulting Company;

1.2.2 Upon the Scheme being confirmed by the Ministry of Corporate Affairs, Government of India and becoming effective and in consideration of the transfer and vesting of the Demerged Undertaking in the Resulting Company, the Resulting Company shall, without any further application, act, instrument or deed, issue and allot to all the equity shareholders of the Demerged Company, whose names appear in the register of members as on the Record Date, 1 [one] equity shares of the Resulting Company of INR 10 each fully paid-up for every 1 [one] equity shares held in the Demerged Company of INR 1 each fully paid-up.

For the avoidance of any doubt, none of the above transactions shall be considered to be consummated, unless all sections of the Scheme are approved by the Ministry of Corporate Affairs, Government of India.

1.3 As per the provisions of Sections 230 to 232 of the Companies Act, 2013, governing scheme of arrangement between companies, the Directors are required to adopt a report explaining (i) the effect of the scheme on the shareholders, key managerial personnel (KMPs), promoters and non-promoter shareholders of the company; and (ii) laying out in particular the share exchange ratio, specifying any special valuation difficulties and the same is required to be circulated to the shareholders and creditors along with the notice convening the meeting.

1.4 Further as per the Circular No. CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 (as amended from time to time) ("**SEBI Circular**") issued by the Securities and Exchange Board of India ("**SEBI**"): (i) a report is required to be issued by the Audit Committee of the Demerged Company recommending the draft Scheme, taking into consideration, amongst others, the Valuation Report (*defined below*) (Part I, Paragraph 2(c)); and (ii) a report is required to be issued by the committee of independent directors recommending the draft Scheme, taking into consideration, amongst others, that the scheme is not detrimental to the shareholders of the Demerged Company (Part I, Paragraph 2(i)). In this regard, it is noted that the Demerged Company as on present date does not have any independent directors on its board and therefore, it does not have an audit committee or a committee of independent directors. Therefore, in order to comply with the requirement of the SEBI Circular, the Board of Directors of the Demerged Company is adopting and passing this report.

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1.5 This report of the Board is accordingly being made in pursuance to the requirements of Section 232(2)(c) of the Companies Act, 2013 and SEBI Circular.

1.6 **The following documents were placed before the Board:**

1.6.1 Draft Scheme of Arrangement;

1.6.2 Valuation report dated 13.07.2021 issued by BDO Valuation Advisory LLP (Registered Valuer), who in their report have recommended the share entitlement ratio of 1 (one) fully paid Equity Share of INR 10/- (Indian Rupees Ten) each in NMDC Steel Ltd. for every 1 (One) fully paid Equity Share of INR 1/- (Indian Rupee One) each held in NMDC Ltd. (**"Valuation Report"**);

1.6.3 Fairness opinion dated 13.07.2021 issued by IDBI Capital Markets & Securities Limited , a SEBI Registered Category 1 Merchant Banker, providing the fairness opinion on the share entitlement ratio recommended in the Valuation Report (**"Fairness Opinion"**); and

1.6.4 Auditor's Certificate of the statutory auditors of the Demerged Company i.e. M/s Sagar & Associates, Chartered Accountants (**"Auditor's Certificate"**), to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

2. Need for the merger/demerger/amalgamation/arrangement;

2.1 In October 2020, the Cabinet Committee on Economic Affairs chaired by the Prime Minister Shri Narendra Modi gave its 'in-principle' approval to the demerger of NISP from the Demerged Company and strategic disinvestment of the Resulting Company by selling entire Government of India stake in the Resulting Company to a strategic buyer.

2.2 Accordingly, to achieve the above objective, the Board of Directors of the Demerged Company have decided to make requisite applications and/or petitions before the Ministry of Corporate Affairs, Government of India under Sections 230 to 232 of the 2013 Act (hereinafter defined) and other applicable provisions for the sanction of this Scheme.

3. Rationale of the Scheme

3.1 Government of India has charted a road map to augment India's steel production to 300 MTPA by 2025. To fulfill this vision, green-field steel plants are being promoted through Special Purpose Vehicles (**"SPVs"**) in mineral rich states of Chhattisgarh, Jharkhand, Karnataka and Odisha. It has been envisaged that the SPV being set up at these states would act as a facilitator and developer for the steel plant. It would acquire the required land, obtain statutory clearances for setting up the plant, organize water & power allocation for the site, along with dedicated raw material supply agreement. On completion of the above activities, the SPV would invite for suitable investor/s, who would construct, develop and operate the steel plant.

3.2 As part of expansion, value addition and forward integration programme, and also in consonance with the desire of the Government of India and Government of Chattisgarh, NMDC Limited is setting up a 3 MTPA capacity Greenfield integrated steel plant (**"NMDC Iron & Steel Plant"** or **"NISP"**) at Nagarnar, located 16 km from Jagdalpur in Chhattisgarh State.

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3.3 The decision to construct the NISP was taken keeping in view with linkage with iron ore reserves and availability of investable surplus. NISP has progressed significantly further than the other Steel SPVs. The only difference is that NISP is being developed and constructed within NMDC Limited as opposed to being developed in an SPV. Also, NMDC Vision 2025, whilst mentioning forward integration has specifically stated that its role would be that of a developer for steel plants and at suitable time invite investors to commission and operate the plants. NMDC is therefore considering proposed scheme to add more value to Company's stakeholders by demerging NISP into separate company and subsequently inviting investor.

3.4 To this effect, in October 2020, the Cabinet Committee on Economic Affairs chaired by the Prime Minister Shri Narendra Modi gave its 'in-principle' approval to the demerger of NISP from NMDC Limited and strategic disinvestment of the NMDC Steel Limited by selling entire Government of India stake in the NMDC Steel Limited to a strategic buyer.

3.5 Accordingly, to achieve the above objective, the Board of Directors of the NMDC Limited have decided to make requisite applications and/or petitions before the Ministry of Corporate Affairs, Government of India under Sections 230 to 232 of the 2013 Act (hereinafter defined) and other applicable provisions for the sanction of the Scheme.

4. Synergies of business of the entities involved in the scheme;

As per proposed scheme, as NISP is getting demerged from NMDC and will be separate company listed on the Indian Stock Exchanges, there will be limited synergy of the business of the entities involved in the scheme.

5. Effect of the Scheme on equity shareholders, key managerial personnel, promoters and non-promoter shareholders of Demerged Company and Resulting company

5.1 Under the Scheme, an arrangement is sought to be entered into between the Demerged Company and its shareholders (promoter shareholders and non-promoter shareholders). Upon coming into effect of Part II and Part III of the Scheme and in consideration of the transfer and vesting of the Demerged Undertaking into the Resulting Company, and as enumerated in Clause 3 of Part B of the Scheme, the Resulting Company shall issue and allot to each equity shareholder of the Demerged Company, 1 [one] equity share of INR 10/- (Indian Rupees Ten) each of the Resulting Company credited as fully paid up for every 1 [one] equity share of INR 1/- (Indian Rupees One) each held by such shareholder of the Demerged Company.

5.2 In respect of the Scheme, an arrangement is sought to be entered into between the Demerged Company and its creditors and debenture holders though no liabilities of the creditors or debenture holders of the Demerged Company is being reduced or being extinguished under the Scheme. The creditors or debenture holders of the Demerged Company will not be prejudicially affected by the Scheme.

5.3 As on date, the Demerged Company has no outstanding towards any public deposits and therefore the effect of the Scheme on any such public deposit holders or deposit trustee does not arise.

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5.4 Under clause 2 of Part B of the Scheme, and with effect from the Effective Date, the Resulting Company undertakes to engage the employees of the Demerged Company engaged in or in relation to the Demerged Undertaking, on terms which are not less favourable than those on which they were engaged by the Demerged Company on the Appointed Date, in the manner provided under clause 2 of Part B of the Scheme. In the circumstances, the rights of the employees of the Demerged Company engaged in or in relation to the Demerged Undertaking, would in no way be affected by the Scheme. The employees engaged by the Demerged Company for its Remaining Business shall continue to be employed by the Demerged Company.

5.5 The directors, key managerial personnel of NMDC Limited may have an interest in the Scheme to the extent of the equity shares held by them in NMDC Limited and/or to the extent that they are holding shares in NMDC Steel Limited (*as nominees*) and/or to the extent that the following directors / employees of NMDC Limited, namely Shri Amitava Mukherjee, Shri Alok Kumar Mehta, Shri Somnath Nandi, and Shri Prashant Dash, are the directors of NMDC Steel Limited. Shri Amitava Mukherjee and Shri Alok Kumar Mehta hold 100 shares each of NMDC Steel Ltd. as nominees of NMDC Limited. Shri Amitava Mukherjee, Shri Alok Kumar Mehta and Shri Somnath Nandi do not hold any shares in NMDC Ltd. Save as aforesaid, none of the said directors or key managerial personnel has any material interest in the Scheme.

6. Share Entitlement Ratio

6.1 BDO Valuation Advisory LLP (**"Valuer"**), has provided the valuation report in relation to the issuance of equity shares by the Resulting Company to the equity shareholders of the Demerged Company for demerger of Demerged Undertaking as mentioned, stating that share entitlement ratio is fair and reasonable considering that all the shareholders of the Demerged Company are and will upon demerger, be the ultimate beneficial owners of the Resulting Company and in the same ratio (*inter se*) as they hold shares in the Demerged Company as on record date to be decided by the Demerged Company in the Scheme.

6.2 Based on the valuation report, the Board of Directors approved share entitlement ratio i.e.:

i. Upon effective of Part B of the Scheme, and in consideration of the transfer and vesting of the Demerged Undertaking into the Resulting Company –

1 [one] equity shares of the Resulting Company of INR 10 each fully paid-up for every 1 [one] equity shares held in the Demerged Company of INR 1 each to the equity shareholders of the Demerged Company.

ii. No special valuation difficulties were reported.

7. Cost Benefit analysis of the Scheme

7.1 Alignment with Vision 2025 of NMDC to be a facilitator for steel projects thus indirectly supporting the iron ore business as also assisting in creation of capacity and employment generation.

7.2 The proposed demerger will enhance value for shareholders and allow a focused strategy in operation of the respective business verticals which would be in the best interest of the Demerged Company and the Resulting Company, shareholders, creditors and all persons connected therewith.

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7.3 The demerger would facilitate focused growth, operational efficiencies and business synergies and increased operational and customer focus in relation to the Steel Undertaking in the Resulting Company and the mining business in the Demerged Company.

7.4 Each business would be able to address independent business opportunities, pursue efficient capital allocation and attract different sets of investors, strategic partners, lenders and other stakeholders.

7.5 Mitigation of risk of the relatively lower margins of steel business for shareholders of mining business.

7.6 Potential for an independent HR policy to align with steel industry market norms versus those for a mining company.

7.7 Operational rationalization, organization efficiency and optimum utilization of various resources.

7.8 Ability to leverage financial and operational resources of each business.

8. The Board of Directors are requested to take this report on record and approve the same.

By Order of the Board,

FOR NMDC LIMITED

Chairman and Managing Director

Name: SUMIT DEB

DIN: 08547819

Date: 13.07.2021

NMDC LTD. Hyderabad.

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF NMDC STEEL LIMITED IN ITS MEETING HELD ON 13.07.2021 EXPLAINING THE EFFECT OF THE SCHEME OF ARRANGEMENT AMONST NMDC LIMITED AND NMDC STEEL LIMITED ON EQUITY SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTER SHAREHOLDERS, AND THE PARTICULARS OF THE VALUATION REPORT:

1. Background

1.1 The Scheme of Arrangement (the "**Scheme**") is proposed between NMDC Limited ("**Demerged Company**") and NMDC Steel Limited ("**Resulting Company**") and their respective shareholders and creditors for the demerger of the 'Demerged Undertaking' (as defined under the Scheme).

1.2 The proposed Scheme involves:

1.2.1 Demerger of the Demerged Undertaking of the Demerged Company to the Resulting Company;

1.2.2 Upon the Scheme being confirmed by the Ministry of Corporate Affairs, Government of India and becoming effective and in consideration of the transfer and vesting of the Demerged Undertaking in the Resulting Company, the Resulting Company shall, without any further application, act, instrument or deed, issue and allot to all the equity shareholders of the Demerged Company, whose names appear in the register of members as on the Record Date, 1 [one] equity shares of the Company of INR 10 each fully paid-up for every 1 [one] equity shares held in the Demerged Company of INR 1 each fully paid-up.

For the avoidance of any doubt, none of the above transactions shall be considered to be consummated, unless all sections of the Scheme are approved by the Ministry of Corporate Affairs, Government of India.

1.3 As per the provisions of Sections 230 to 232 of the Companies Act, 2013, governing scheme of arrangement between companies, the Directors are required to adopt a report explaining (i) the effect of the scheme on the shareholders, key managerial personnel (KMPs), promoters and non-promoter shareholders of the company; and (ii) laying out in particular the share exchange ratio, specifying any special valuation difficulties and the same is required to be circulated to the shareholders and creditors along with the notice convening the meeting.

1.4 This report of the Board is accordingly being made in pursuance to the requirements of Section 232(2)(c) of the Companies Act, 2013.

1.5 The following documents were placed before the Board:

1.5.1 Draft Scheme of Arrangement;

1.5.2 Valuation report dated 13.07.2021 issued by BDO Valuation Advisory LLP, (Registered Valuer)on share entitlement ratio;

NMDC Steel Limited Nagarnar

1.5.3 Fairness opinion dated 13.07.2021 issued by IDBI Capital Markets & Securities Limited , a SEBI Registered Category 1 Merchant Banker, providing the fairness opinion on the share entitlement ratio recommended in the Valuation Report ("**Fairness Opinion**"); and

1.5.4 Auditor's Certificate of the statutory auditors of the Resulting Company i.e. N G Rao & Associates, Chartered Accountants ("**Auditor's Certificate**"), to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

2. Rationale of the Scheme

2.1 Government of India has charted a road map to augment India's steel production to 300 MTPA by 2025. To fulfill this vision, green-field steel plants are being promoted through Special Purpose Vehicles ("SPVs") in mineral rich states of Chhattisgarh, Jharkhand, Karnataka and Odisha. It has been envisaged that the SPV being set up at these states would act as a facilitator and developer for the steel plant. It would acquire the required land, obtain statutory clearances for setting up the plant, organize water & power allocation for the site, along with dedicated raw material supply agreement. On completion of the above activities, the SPV would invite for suitable investor/s, who would construct, develop and operate the steel plant.

2.2 As part of expansion, value addition and forward integration programme, and also in consonance with the desire of the Government of India and Government of Chattisgarh, NMDC Limited is setting up a 3 MTPA capacity Greenfield integrated steel plant ("**NMDC Iron & Steel Plant**" or "**NISP**") at Nagarnar, located 16 km from Jagdalpur in Chhattisgarh state.

2.3 The decision to construct the NISP was taken keeping in view with linkage with iron ore reserves and availability of investable surplus. NISP has progressed significantly further than the other Steel SPVs. The only difference is that NISP is being developed and constructed within NMDC Limited as opposed to being developed in an SPV. Also, NMDC Vision 2025, whilst mentioning forward integration has specifically stated that its role would be that of a developer for steel plants and at suitable time invite investors to commission and operate the plants. NMDC is therefore considering proposed scheme to add more value to Company's stakeholders by demerging NISP into separate company and subsequently inviting investor.

2.4 To this effect, in October 2020, the Cabinet Committee on Economic Affairs chaired by the Prime Minister Shri Narendra Modi gave its 'in-principle' approval to the demerger of NISP from NMDC Limited and strategic disinvestment of the NMDC Steel Limited by selling entire Government of India stake in the NMDC Steel Limited to a strategic buyer.

2.5 Accordingly, to achieve the above objective, the Board of Directors of the NMDC Limited have decided to make requisite applications and/or petitions before the Ministry of Corporate Affairs, Government of India under Sections 230 to 232 of the 2013 Act (hereinafter defined) and other applicable provisions for the sanction of the Scheme.

NMDC Steel Limited Nagarnar

3. **Effect of the Scheme on equity shareholders, key managerial personnel, promoters and non-promoter shareholders of Demerged Company and Resulting Company**

3.1 Under the Scheme, an arrangement is sought to be entered into between the Resulting Company and its shareholders. Upon coming into effect of Part II and Part III of the Scheme and in consideration of the transfer and vesting of the Demerged Undertaking into the Resulting Company: (a) all the equity shares of the Resulting Company held by the Demerged Company shall stand cancelled; and (b) as enumerated in Clause 3 of Part B of the Scheme, the Resulting Company shall issue and allot to each equity shareholder of the Demerged Company, 1 [one] equity share of INR 10/- (Indian Rupees Ten) each of the Resulting Company credited as fully paid up for every 1 [one] equity share of INR 1/- (Indian Rupees One) each held by such shareholder of the Demerged Company.

3.2 In respect of the Scheme, an arrangement is sought to be entered into between the Resulting Company and its creditors though no liabilities of the creditors of the Resulting Company is being reduced or being extinguished under the Scheme. The creditors of the Demerged Company will not be prejudicially affected by the Scheme.

3.3 As on date, the Resulting Company has no outstanding towards any public deposits and therefore the effect of the Scheme on any such public deposit holders or deposit trustee does not arise.

3.4 Under clause 2 of Part B of the Scheme, and with effect from the Effective Date, the Resulting Company undertakes to engage the employees of the Demerged Company engaged in or in relation to the Demerged Undertaking, on terms which are not less favourable than those on which they were engaged by the Demerged Company on the Appointed Date, in the manner provided under clause 2 of Part B of the Scheme. In the circumstances, the rights of the employees of the Demerged Company engaged in or in relation to the Demerged Undertaking, would in no way be affected by the Scheme. The employees engaged by the Demerged Company for its Remaining Business shall continue to be employed by the Demerged Company.

3.5 The directors, key managerial personnel of NMDC Steel Limited may have an interest in the Scheme to the extent that the following directors of NMDC Steel Limited, namely Shri Amitava Mukherjee, Shri Alok Kumar Mehta, Shri Somnath Nandi, are Limited are directors on the board of NMDC Limited. Shri Amitava Mukherjee and Shri Alok Kumar Mehta hold 100 shares each of NMDC Steel Ltd. as nominees of NMDC. Shri Amitava Mukherjee, Shri Alok Kumar Mehta and Shri. Somnath Nandi do not hold any shares in NMDC Ltd. Save as aforesaid, none of the said directors or key managerial personnel has any material interest in the Scheme.

4. **Share Entitlement Ratio**

4.1 BDO Valuation Advisory LLP (**"Valuer"**), has provided the valuation report in relation to the issuance of equity shares by the Resulting Company to the equity shareholders of the Demerged Company for demerger of Demerged Undertaking as mentioned, stating that share entitlement ratio is fair and reasonable considering that all the shareholders of the Demerged Company are and will upon demerger, be the ultimate beneficial owners of the Resulting Company and in the same ratio (*inter se*) as they hold shares in the Demerged Company as on record date to be decided by the Demerged Company in the Scheme.

NMDC Steel Limited Nagarnar

NMDC STEEL LIMITED

(A wholly owned subsidiary of NMDC Limited)

4.2 Based on the valuation report, the Board of Directors approved share entitlement ratio i.e.:

i. Upon effective of Part B of the Scheme, and in consideration of the transfer and vesting of the Demerged Undertaking into the Resulting Company –

1 [one] equity shares of the Resulting Company of INR 10 each fully paid up for every 1 [one] equity shares held in the Demerged Company of INR 1 each to the equity shareholders of the Demerged Company.

ii. No special valuation difficulties were reported.

5. The Board of Directors are requested to take this report on record and approve the same.

By Order of the Board,

FOR NMDC STEEL LIMITED

DIRECTOR

Name: SOMNATH NANDI

DIN: 08859169

Date: 13.07.2021

NMDC Steel Limited Nagarnar