Annexure - 5

IDBI CAPITAL MARKETS & SECURITIES LTD.
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STRICLTY CONFIDENTIAL

Ref: Inv. Bk/M&A/GD/21-22/013

July 13, 2021

To	To
The Board of Directors **NMDC Limited** 'Khanij Bhavan', 10-3-311/A, Castle Hills, Masab Tank, Hyderabad – 500028	**Board of Directors** **NMDC Steel Limited** C/O NMDC Iron & Steel Plant Nagarnar Bastar, Chhattisgarh 494001, India

Dear Members on the Board,

Subject: Fairness Opinion on the Share Entitlement Ratio for the proposed scheme of arrangement between NMDC limited and NMDC Steel Limited.

This is with reference to our appointment vide letter dated April 21, 2021 ("**Appointment Letter**") wherein NMDC limited (**"NMDC"** or **"Demerged Company"** or **"Company"**) has engaged IDBI Capital Markets & Securities Limited (**"IDBI Capital"**) to provide a fairness opinion to the Board of Directors on valuation report dated July 13, 2021 (**"Valuation Report"**) issued by BDO Valuation Advisory LLP (the **"Valuer"**) for the proposed demerger of the Demerged Undertaking (as defined below) of NMDC and transfer of the same to NMDC Steel Limited (**"NMDC Steel"** or **"Transferee Company"** or **"Resulting Company"**), vide a scheme of arrangement under the provisions of Section 230 to Section 232 and other applicable provisions of the Companies Act, 2013 ("**Proposed Scheme**").

1. Company Background and Scope of Engagement:

NMDC Limited is a public limited company incorporated on November 15, 1958 under the Companies Act, 1956 with CIN L13100TG1958GOI001674, having its registered office at Khanij

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Bhavan 10-3-311/A Castle Hills, Masab Tank, Hyderabad 500028, Telangana, India. The equity shares of the Demerged Company are listed on NSE, BSE and CSE.

NMDC Steel Limited incorporated on January 2, 2015 under the Companies Act, 2013 with CIN U27310CT2015GOI001618, having its registered office at C/O NMDC Iron & Steel Plant Nagarnar Bastar, Chhattisgarh 494001, India.

The Demerged Company is a public enterprise majorly owned by the Government of India, under the administrative control of the Ministry of Steel, Government of India. NMDC has since inception been involved in the exploration of wide range of minerals including iron ore, copper, rock phosphate, limestone, dolomite, gypsum, bentonite, magnesite, diamond, tin, tungsten, graphite, and beach sands.

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.

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 Chhattisgarh, 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.

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.

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.

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 and other applicable provisions for the sanction of this Scheme.

For this purpose, the Company has appointed the Valuer to determine the Share Entitlement Ratio (as defined below) and has in terms of the Engagement Letter requested IDBI Capital to examine the Valuation Report issued by the Valuer and other related information provided by the Company and issue our independent opinion as to the fairness of the Share Entitlement Ratio ("**Fairness Opinion**") as per the requirements of the relevant SEBI circulars ("**SEBI Circular**"). This fairness opinion is being provided solely to the Board of Directors of NMDC and NMDC Steel and strictly within this context and is not intended to represent the valuation at which such a transaction is carried out, and does not address to NMDC or NMDC Steel (or any other party's) underlying business decision to proceed with or effect any commercial decisions relating to the proposed demerger.

As per the Valuation Report dated July 13, 2021, the valuers have recommended the Share Entitlement Ratio of 1 (One) equity share of NMDC Steel Limited of INR 10/- each fully paid up for every 1 (one) equity shares of NMDC Limited of INR 1/- each fully paid up ("**Share Entitlement Ratio**").

All terms not specifically defined in this Fairness Opinion shall carry the same meaning as in the Proposed Scheme.

For the avoidance of doubt, this fairness opinion is not to be construed as financial advice in relation to the sale of, or subscription for, any shares in NMDC to any person.

2. Brief Background of the Proposed Scheme

Part-B of the Proposed Scheme provides for transfer and vesting of Demerged Undertaking from Demerged Company to Resulting Company.

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The Demerged Undertaking is proposed to include the business, assets, liabilities etc pertaining to NISP as on the effectiveness of Part B of the Scheme ("**Demerged Undertaking**").

Upon the coming into effect of Proposed Scheme and with effect from the Appointed Date, and subject to the provisions of Proposed Scheme, all the properties and assets (tangible and intangible assets including goodwill) and liabilities of the Demerged Undertaking will be transferred to the Resulting Company [at values appearing in the books of accounts of the Demerged Company immediately before the demerger, in accordance with Section 2(19AA) of the IT Act].

The Demerged Undertaking shall, without any further act, instrument or deed, be demerged from the Demerged Company and stand transferred to and vested in and/or deemed to have been demerged from the Demerged Company and stand transferred to and vested in the Resulting Company as a going concern as per the Proposed Scheme.

The Management has proposed 293,06,05,850 equity shares of INR 10 each fully paid Equity Shares of NMDC STEEL as the desired equity capital structure of NMDC STEEL, post the Proposed Demerger, to reflect the same/equal number of equity shares as NMDC and mirror shareholding per the Proposed Demerger.

The New Shares allotted and issued as per Proposed Scheme shall be listed and/or admitted to trading on the stock Exchanges after obtaining the requisite approvals. The Resulting Company shall enter such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with Applicable Laws for complying with the formalities of the Stock Exchanges.

3. Source of Information:

In arriving at the opinion set forth below, we have relied on the following:

a) Valuation Report dated July 13, 2021 prepared by BDO Valuation Advisory LLP;

b) Draft of the Proposed Scheme;

c) Necessary confirmations from the representatives of NMDC and its subsidiaries / affiliates;

d) Additional information provided at the data room. Information including but not limited to those mentioned hereinabove.

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4. Scope Limitations and Disclaimers:

- This fairness opinion is being provided solely to and from the perspective of Board of Directors of NMDC & NMDC Steel and only in connection with the Proposed Scheme.
- This fairness opinion is confidential and is provided pursuant to and subject to the terms of our appointment and terms of business.
- It is being made available for information purposes only and on a confidential basis.
- This opinion is for the exclusive use of Board of Directors of NMDC & NMDC Steel and it may be disclosed to such persons and authorities as may be required under Law.
- This opinion must not be copied, reproduced, distributed or passed, in whole or in part, to any other person at any time without our prior written consent.

Each recipient acknowledges that some or all of the information contained in the opinion is or may be inside information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each recipient undertakes not to use any information contained in the opinion for any unlawful purpose.

This opinion does not constitute an offer or invitation or a solicitation of any offer or invitation for the sale or purchase of securities or of any of the assets, business or undertaking of NMDC. In addition, it is not intended to form the basis of or act as an inducement to enter into any contract or investment activity, and should not be considered as a recommendation by us, NMDC or any other person in relation to NMDC.

The information used for this opinion, which does not purport to be comprehensive, has been provided to us by NMDC and its advisors and/or obtained from publicly available sources. We have assumed the accuracy of the information so received and this has not been verified by us. No representation or warranty, express or implied, is or will be given by us or our respective directors, officers, employees or advisers or any other person as to the accuracy or completeness of this opinion and, so far as permitted by law, no responsibility or liability is accepted for the accuracy or sufficiency thereof, or for any errors, omissions or misstatements, negligent or otherwise, relating thereto.

In particular, but without limitation, (subject as aforesaid) no representation or warranty, express or implied, is given as to the achievement or reasonableness of, and no reliance should

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be placed on, any projections, targets, estimates or forecasts and nothing in this opinion is or should be relied on as a promise or representation as to the future. Accordingly, (subject as aforesaid) neither us, nor any of our respective directors, officers, employees or advisers, nor any other person, shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this opinion or any other written or oral communication with the recipient or its advisors in connection with its evaluation of NMDC & NMDC Steel and (save in the case of fraudulent misrepresentation or wilful non-disclosure) any such liability is expressly disclaimed.

The receipt of this opinion by any person is not to be taken as constituting the giving of investment opinion by us to any such person, nor to constitute such person our client.

For avoidance of any doubts, it is clarified that fees payable to IDBI Capital by NMDC is not in any way contingent upon nature of opinion provided to NMDC.

5. Conclusion:

We understand that the economic interest of the shareholders of NMDC in NMDC Steel, pre demerger continues to remain the same post the demerger. In our opinion, in the given circumstances, based on all relevant factors, information and subject to the scope limitations & disclaimers on the date hereof, and to the best of our knowledge and belief, we are of the opinion that the Share Entitlement Ratio as recommended by the Valuer, is fair and reasonable.

6. Distribution of the Fairness Opinion

The Fairness Opinion is addressed only to the Board of Directors of NMDC & NMDC Steel. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to other third party without IDBI Capital's prior written consent.

However, NMDC and NMDC Steel may provide a copy of the Fairness Opinion if required / called upon by any regulatory authorities of India subject to NMDC and NMDC Steel promptly intimating IDBI Capital in written about receipt of such request from the regulatory authority. The Fairness Opinion should be read in totality & not in parts. Further, this Fairness Opinion should not be used or quoted for any purpose other than to whom it is addressed or for any purpose than the purpose stated hereinabove, then, we will not be liable for any consequences

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thereof & shall not take any responsibility for the same. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement documents given to third parties. In no circumstances however, will IDBI Capital or its management, directors, officers, employees, agents, advisors, representatives and controlling persons of IDBI Capital accept any responsibility or liability including any pecuniary or financial liability to any third party.

Yours Faithfully,

For and on behalf of

IDBI Capital Markets & Securities Limited

Authorised Signatory