



REPORT ON THE RECOMMENDATION OF RATIO FOR THE ISSUE OF EQUITY SHARES OF RESULTING COMPANY TO THE SHAREHOLDERS OF DEMERGED COMPANY IN CONSIDERATION OF DEMERGER OF TRANSFERRED BUSINESS OF DEMERGED COMPANY

1. BACKGROUND

- a. Demerged Company (hereinafter referred to as “Greenply Industries Limited”) is a public limited company incorporated under the provisions of the Companies Act 1956 and having its registered office at Makum Road, Tinsukia, Assam – 786125. Equity shares of Demerged Company are listed on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). Demerged company is engaged in the business of manufacturing, marketing and trading of wide range of interior infrastructure and surface finishes products including Plywood, Decorative Veneers, Doors, Medium Density Fibreboard (MDF) and their allied products.
- b. The Board of Directors of the Demerged Company has consented to explore an option for the demerger of its Transferred Business (hereinafter referred to as “Demerged Undertaking”) into Resulting Company (hereinafter referred to as “Greenpanel Industries Limited”) a wholly owned subsidiary of Demerged Company.
- c. The Demerger is to be structured through Composite Scheme of Arrangement under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 (‘the scheme’). Under the scheme, the Demerged Undertaking will be transferred to Resulting Company. We are also informed that the demerger will be in accordance with provisions of Section 2(19AA) of the Income tax Act, 1961 whereby the transaction will be carried out at book value.
- d. We have been informed that the appointed date for the Demerger is 1st April 2018.
- e. In this regard we have been requested to recommend a ratio for issue of Equity Share of Resulting Company to shareholders’ of Demerged Company in consideration of demerged undertaking into Resulting Company.

Demerged Undertaking Definition

- 1.1 “**Demerged Undertaking**” means the entire activities, operations, business division and undertaking of the Demerged Company pertaining to the Transferred Business as is presently carried out by the Demerged Company and which is being transferred to the Resulting Company on a going concern basis along with all related assets, liabilities, employees, rights, powers and shall include (without limitation) in particular the following:

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- (i) all assets (including appliances, accessories, furniture, fixtures and leasehold improvements, where applicable) whether movable or immovable, tangible or intangible, including all rights, titles and interest in connection with the land, and buildings thereon, whether corporeal or incorporeal, leasehold or otherwise, plant and machinery, capital work in progress, advances, sundry debtors, cash and bank balances, other fixed assets, benefit of any deposits, financial assets, investments, benefit of any bank guarantees and all other assets whether real or personal, present, future or contingent and liabilities relating to the Demerged Undertaking, except as provided in this Scheme;
- (ii) all permits, rights (including, without limitation, rights under any customer contracts, supply contracts, insurance contracts or other contracts or agreements), licenses (including, without limitation, approvals, authorizations, consents, tenancies, offices, entitlements, bids, tenders, letters of intent, expressions of interest, municipal and other statutory permissions, approvals, consents, licenses, registrations, subsidies, concessions, exemptions, remissions and unabsorbed depreciation, tenancies in relation to office, lease rights, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephones, and installations, utilities, electricity and other services, provisions, funds, benefits of all agreements, contracts and arrangements and all other interests in connection with or relating to the Demerged Undertaking;
- (iii) all deposits and balances with Government (including share of advance taxes, taxes deducted at source in connection with the business of the Demerged Undertaking, entitlements to refund and / or credits of service tax, central excise, GST in connection with the business of the Demerged Undertaking, entitlements to refund and / or credits of the value added tax (in all states) in connection with the business of the Demerged Undertaking and such other tax credits as may pertain to the Demerged Undertaking), semi-government, local and other authorities and bodies, customers, other persons, earnest moneys and/or security deposits paid or received by the Demerged Company, directly or indirectly in connection with or in relation to the Demerged Undertaking, to the extent set out in this Scheme;
- (iv) all employees of the Demerged Company substantially engaged in the Demerged Undertaking and those employees that are determined by the Board of Directors of the Demerged Company to be substantially engaged in or in relation to the business of the Demerged Undertaking;
- (v) all debts, borrowings, obligations, duties and liabilities both present and future (including deferred tax liabilities, contingent liabilities and the liabilities and obligations under any licenses or permits or schemes) of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized, whether secured or unsecured, whether in rupees or foreign currency, relating to the Demerged Undertaking, to the extent set out in this Scheme;



- (vi) all trade and service names and marks (including any right to use trademarks), patents, copyrights (including any right to use copyrights), designs, brand names (including the right to use brand names), patents, use of technology rights, and other intellectual property rights of any nature whatsoever, books, records, files, papers, engineering and process information, software licenses (whether proprietary or otherwise), drawings, computer programmes, manuals, data, catalogues, quotations, sales and advertising material, lists of present and former customers and suppliers, other customer information, customer credit information, customer pricing information, and all other records and documents, whether in physical or electronic form relating to business activities and operations of the Demerged Undertaking; and
- (vii) all legal proceedings of whatsoever nature by or against the Demerged Company pending or threatened on the Appointed Date and relating to the Demerged Undertaking.

Transferred Business Definition

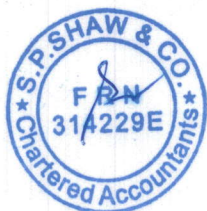
Business comprising of manufacturing, marketing and trading of Medium Density Fibre Boards (MDF), Pre-Laminated MDF, Wood Floors, Plywood, Decorative Veneers, Doors and allied products. Presently, this business consists of the MDF manufacturing unit situated at Routhu Suramala, Chittoor (Andhra Pradesh), MDF manufacturing unit and Plywood and allied products manufacturing unit located in a common plot at Pantnagar (Uttarakhand), registered, marketing, branch and administrative office(s) located in India and overseas subsidiary viz. Greenply Trading Pte. Limited (registered in Singapore) excluding its investment of USD 37,50,000 (37,50,000 ordinary shares of USD 1 each) in Greenply Alkema (Singapore) Pte. Ltd. (registered in Singapore).

2. SOURCES OF INFORMATION AND ANALYSIS

- a. For the purpose of this exercise, the following sources of information and analysis was relied upon :
 - i. Audited Financial Statements of Demerged Company for the financial year ending as at 31st March 2018.
 - ii. Audited financial statements of Resulting Company for the financial year ending as at 31st March 2018.
 - iii. Dividend Payout history of the Demerged Company.

3. RECOMMENDED RATIO

- a. A ratio of one fully paid-up equity share (Face Value of Re. 1/- each) of the Resulting Company has been recommended for every 1 existing fully paid-up equity share (Face value of Re.1/- each) of the Demerged Company in consideration of the demerger.



- b. Based on the Scheme and analysis of the same, all the shareholders of the Demerged Company as on record date will, upon demerger, be ultimate beneficial economic owners of the Resulting Company and that upon allotment of equity shares by the Resulting Company in the proposed Share entitlement ratio, the beneficial economic interest of the shareholders in the equity of the Resulting Company will be the same as it is in the equity of the Demerged Company.
- c. Para I(A)(4) of SEBI Circular dated March 10, 2017 provides that a valuation report is **not applicable** where there is no change in the share-holding pattern of the Demerged Company and Resulting Company.

In light of the above, a fair valuation of the equity shares of the Demerged Company and the Resulting Company has not been carried out.

Valuation Approach	Demerged Company		Resulting Company	
	Value per share	Weight	Valuation per share	Weight
Asset Approach	N.A.	N.A.	N.A.	N.A.
Income Approach	N.A.	N.A.	N.A.	N.A.
Market Approach	N.A.	N.A.	N.A.	N.A.
Relative Value per Share	N.A.		N.A.	
Exchange ratio (rounded off)			N.A.	

- d. Taking into consideration the dividend payout history of Greenply Industries Limited, post scheme debt equity ratio and profitability of the respective Companies and other parameters post effectiveness of the Scheme, one can reasonably expect that the Demerged Company and the Resulting Company together shall be able to maintain similar equity servicing levels as maintained by Greenply Industries Limited earlier.
- e. The Demerger of the Transferred Business will be as per requirement of Section 2(19AA) of the Income Tax Act 1961. Accordingly Greenply Industries Limited will transfer the Asset and Liabilities of Transferred Business to Greenpanel Industries Limited at its book value as appearing in the books of Greenply Industries Limited. The Shareholders of Greenply Industries Limited would be entitled to shares of Greenpanel Industries Limited in the same proportion which they currently own in Greenply Industries Limited.



- f. We believe that the above ratio is reasonable considering that Greenpanel Industries Limited is a 100% Subsidiary of Greenply Industries Limited prior to the proposed demerger, the pre scheme outstanding equity capital of the Resulting Company shall be cancelled and the shareholders of Greenply Industries Limited shall hold shares in Greenpanel Industries Limited in the same proportion as in Greenply Industries Limited and hence the proposed demerger of Transferred Business of Greenply Industries Limited into Greenpanel Industries Limited will be value neutral to Greenply Industries Limited and its shareholders.
- g. This report has been prepared for the Board of Directors of the Demerged Company and the Resulting Company solely for the purpose of recommending ratio for issue of equity shares of Resulting Company to shareholders of Demerged Company in consideration of Demerger of Transferred Business.

For S.P. SHAW & CO.
Chartered Accountants
Firm's Regn No. 314229E



(S.P. Shaw)
Partner
Membership No. 51927



Place: Kolkata
Dated 07th day of August, 2018