FAIRNESS OPINION REPORT ON VALUATION FOR THE PROPOSED SCHEME OF ARRANGEMENT

amongst

SAHYADRI INDUSTRIES LIMITED

and

POONAM ROOFING PRODUCTS PRIVATE LIMITED

By

Navigant

Navigant Corporate Advisors Limited
423, A Wing, Bonanza, Sahar Plaza Complex,
J.B. Nagar, Andheri Kurla Road,
Andheri East,
Mumbai-400 059
Email Id- navigant@navigantcorp.com
Web: www.navigantcorp.com

5th February, 2020

SEBI Registered Category I Merchant Banker

SEBI Registration No. INM000012243

CORPORATE ADVISORS LTD. MUMBAI NAVIGANT

Notice to Reader

Navigant Corporate Advisors Limited ("Navigant" / "NCAL" or "Authors of the Report) is a SEBI registered 'Category I' Merchant banker in India and was engaged by Board of Directors of Sahyadri Industries Limited ("SIL" or "Resulting Company") to prepare an Independent Fairness Opinion Report ("Report") with respect to providing an independent opinion and assessment as to fairness of Valuation Report and Swap ratio determined by Pramod Jain, Chartered Accountant& Registered Valuer (SFA)("Valuer") an Independent Valuer for the purpose of intended proposed demerger of "Industrial Undertaking" of Poonam Roofing Products Private Limited ("PRPPL" or "Demerged Company") into SIL pursuant to a Scheme of Arrangement under section 230 to 232 and other applicable clauses of the companies Act, 2013 ("Scheme").

SIL and PRPPL are collectively referred as "Companies".

The Fairness Opinion Report ("Report") has been prepared on the basis of the review of information provided to Navigant and specifically the Report on Swap ratio (hereinafter referred as Valuation Report) prepared by Valuer as an independent valuer. The report does not give any valuation or suggest any swap ratio; however, this report is limited to provide its fairness opinion on the Valuation Report.

The information contained in this Report is selective and is subject to updations, expansions, revisions and amendment. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent.

This Report is based on data and explanations provided by the management and certain other data culled out from various websites believed to be reliable. Navigant has not independently verified any of the information contained herein. Neither the Company nor Navigant, nor affiliated bodies corporate, nor the directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the Report. All such parties and entities expressly disclaim any and all liability for or based on or relating to any such information contained in, or errors in or omissions from, this Report or based on or relating to the Recipients' use of this Report.

NAVIGANT CORPORATE ADVISORS LTD. MUMBAI

Date: 5th February, 2020

To,
The Board of Directors
Sahyadri Industries Limited
39/D Gultekdi J N Road Pune MH 411037 IN

Dear Members of the board,

Engagement Background

We Understand that the Board of Directors of Poonam Roofing Products Private Limited ("PRPPL" or the "Demerged Company") and Sahyadri Industries Limited ("SIL" or the "Resulting Company") are considering a Scheme of Arrangement between PRPPL and SIL and their respective Shareholders ("the Scheme") for demerger under the provisions of Sections 230 to 232 read with Section 52 and 66 and other relevant provisions of the Companies Act, 2013, as may be applicable, and also read with Section 2(19AA)and other relevant provisions of the Income-tax Act, 1961, as may be applicable, for Demerger of the Industrial Undertaking of PRPPL and vesting of the same in SIL on a going concern basis.

We understand that the Valuation as well as the swap ratio thereof is based on the Valuation Certificate dated 04th February, 2020 issued by Pramod Jain, Chartered Accountant& Registered Valuer (SFA) (Membership. No. 129741)("Valuer").

We, Navigant Corporate Advisors Limited, a SEBI registered Category-I Merchant Banker, have been engaged by SIL to give a fairness opinion ("Opinion") on Valuation Certificate dated 04th February 2020 issued by Pramod Jain, Chartered Accountant& Registered Valuer (SFA) (Membership. No. 129741).

Background of the Companies

Poonam Roofing Products Private Limited was originally incorporated under the provisions of the Companies Act, 1956, as a Private Limited Company with the name and style as 'Poonam Engineers and Consultants Private Limited' vide Certificate of Incorporation dated 18th November, 1983, Name of the Company then changed to 'Poonam Roofing Products Private Limited' vide Fresh Certificate of Incorporation dated 26th November, 1993. The Demerged Company got converted to a Public Limited Company and name of the Demerged Company was changed from 'Poonam Roofing Products Private Limited' to 'Poonam Roofing Products Limited' on 1st July, 1995. Further, the Demerged Company got converted to a Private Limited Company and name of the Company subsequently changes to its present name 'Poonam Roofing Products Private Limited' with effect from 25th November, 2002. The Corporate Identity Number (CIN) of Poonam Roofing Products Private Limited is U26953MH1983PTC031370. The Demerged Company is a private Limited Company, among other activities also engaged in the business of Finishing and other job work of Fibre Cement Sheets, accessories and other support services, Real Estate activities and other permissible businesses.

Sahyadri Industries Limited was originally incorporated under the provisions of the Companies Act, 1956, as a Private Limited Company with the name and style as 'New Sahyadri Industries Private Limited' vide Certificate of Incorporation dated 13th June, 1994, The Resulting Company became Deemed Public Limited Company and Name of the Resulting Company was changed from 'New Sahyadri Industries Private Limited' to 'New Sahyadri Industries Limited' with effect from 19th March 1999. The

Resulting Company then converted from Deemed Public Limited Company to Public Limited Company vide Certificate of Change of Name dated 6th June, 2001. Name of the Company was then changed from 'New Sahyadri Industries Limited' to its present name 'Sahyadri Industries Limited' vide Fresh Certificate of Incorporation consequent on Change of Name dated 1st February, 2006. The Corporate Identity Number (CIN) of Sahyadri Industries Limited is L26956PN1994PLC078941, primarily engaged in the business of Production of cement sheets and accessories, Generation of wind power electricity, Trading of steel doors. The Resulting Company is Listed Company and its equity shares are listed on the BSE Limited.

Transaction Overview and Rational

It is proposed to demerge the Industrial Undertaking of Poonam Roofing Products Private Limited into Sahyadri Industries Limited. This arrangement would inter alia have the following benefits:

1.1 Demerged Company is engaged in finishing and other job work of Fibre Cement Sheets, accessories and other support services for the Resulting Company. Hence, consolidation of Industrial Undertaking with Resulting Company is a strategic fit and will, help streamline the business of Resulting Company in the growing markets;

1.2 Consolidation of the Industrial Business Undertaking with the Resulting Company shall thereby result in making available increased resources including skilled and experienced workforce and assets including surplus land available for expansion of the activities of Resulting Company and as a result, sustain growth in long term.

1.3 "Swastik" brand which is licensed to the Resulting Company is owned by the Demerged Company. Vesting of the brand in the Resulting Company will result in adding value, boosting the reputation, saving of significant cash flow in future and enhancing flexibility in developing the Brand as well as product portfolio.

1.4 Enhance competitive strength, achieve cost reduction, efficiencies and productivity gains by pooling resources of Resulting Company and Industrial Business Undertaking.

Information relied upon:

We have prepared the fairness opinion report on the basis of the information provided to us and inter alia the following:

- Share Exchange ratio report by Pramod Jain, Chartered Accountant& Registered Valuer (SFA)dated 4th February 2020;
- Other information and explanations as provided by the management.

Further, we had discussions on such matters which we believe are necessary or appropriate for the purpose of issuing the valuation report.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed to be good and marketable and we would urge the company to carry out the independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

We have been informed that all information relevant for the purpose of issuing the Fairness Opinion report has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed.

NAVIGANT CORPORATE ADVISORS LTD. * MUMBAI

Valuation Summary:

Some of the methods considered by the valuer for arriving at fair value of shares of a company are as under:

Valuation methods are broadly classified into -

1. **Cost Approach:**

   - The Cost approach focuses on the net worth or net assets of Company. Cost approach includes net asset value [NAV] method based on realizable or book value of assets. This valuation approach is mainly used in case where the assets base dominates earnings capability or if it is investment holding company and significant value is derived from its investment holdings.

   - The Net Assets Value ("NAV") Method under the cost approach considers the assets Liabilities including intangible assets and contingent liabilities. The Net Assets, after reducing the dues to the Preference shareholders, if any, represent the equity value of the company.

   - In Break-up Value ("BUV") Method, the assets and liabilities are considered at their Realizable restated value including intangible assets and contingent liabilities or liabilities on account corporate guarantees given by the company, if any, which are not stated in the Balance sheet. From the realizable value of the assets, the potential liabilities (including the preference share capital, if any, with the amount of surplus due to them), which would have to be paid, would be deducted and the resultant value is the BUV of the business.

2. **Income Approach:**

   - The income approach is widely used for valuation under 'Going Concern' basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on strength of the Future cash flows Earnings based that aims at measuring the earning capacity of the target entity and includes methods such as EBITDA, Profit Earning Capacity Value [PECV], Future Maintainable Profit Method [FMPM], Return on Networth [RONW], etc.

3. **Market Approach:**

   - Under the market approach, the valuation is based on the market capitalization of the company in case of listed companies or/and comparable companies trading or transaction multiples of comparable companies. The market approach generally reflects the investors' perception about the true worth of the company.

Deriving a value is influenced by the following factors -

- *The objective or purpose of valuation*
- *The industry and business the transacting entities*
- *The commercial viability of the most appropriate method/s*
- *The unique facts of the case as relating to the entities*
- *The compliance of regulatory framework for the purpose of valuation*
- *Dividend payment capability*

NAVIGANT CORPORATE ADVISORS LTD. MUMBAI

Multi-Period Excess Earnings Method (MEEM)

The Multi-Period Excess Earnings Method is commonly used when a reliable direct measurement of future economic benefits generated by an intangible asset is not possible. However, revenue and earnings to those assets can be readily determined. The method adopts a 'residual approach' for estimating the income that an intangible is expected to generate. The premise of the excess earnings method is that the value of an asset is represented by the discounted future earnings specifically attributed to that asset, that is, in excess of returns for other assets that contributed to those earnings. The excess earnings method examines the economic returns contributed by all assets utilized in generating earnings, and then isolates the excess return that is attributed to the specific asset being valued.

Under this method, the value of an asset is a function of:

- Projected revenue and earnings generated by the asset;
- Expected economic life of the asset;
- Contributory asset charges that would be paid to the requisite operating assets; and
- A discount rate which reflects risk associated with receiving future cash flows.

Basis of Valuation and Assumptions made by the valuer:

They have based their valuation, on the combination of aforesaid methods as described below:

Valuation of Industrial Undertaking of PRPPL:

Drivers in choosing the method of valuation analysis:

- Information
  - Availability
  - Reliability
- Characteristics
- Current cash flow status
- Uniqueness of assets

To determine the value of Industrial Business of PRPPL, Valuer has divided Industrial Business into three parts:

- Valuation of Job work Business of PRPPL
- Valuation of "Swastik Brand"
- Valuation of Surplus Land & Building of PRPPL

1. Valuation of Job work Business of PRPPL

The DCF method has been considered to value the job-work business of PRPPL as it arrives at a valuation considering the future cash flows available with the business. The Valuer reviewed the financial projections of the business of PRPPL as provided by the management of the PRPPL. We did not carry out the validation procedure or due diligence with respect to the projections, other than satisfying ourselves to the extent possible that they are consistent with other information provided to us in course of this engagement.

2. Valuation of "Swastik Brand"

The valuation of Brand "Swastik" has been derived using MEEM Method. For estimating the revenue and earnings, the Valuer relied on the revised royalty agreement, SIL revenue projections provided by the client. Further, as represented by the client, there will be no expenditure required to be done by PRPPL to earn the royalty income.

NAVIGANT CORPORATE ADVISORS LTD. MUMBAI

3. Valuation of Surplus Land & Building of PRPPL

As per the valuation report, Job-work business is using only 50% of the land & building owned by the PRPPL and rest 50% is vacant. The Valuer relied on the valuation report dated 27th November 2019 by Registered Valuer, L.R Associates for calculating fair value of surplus land & building.

VALUATION OF SIL

- For determining the Fair Value of SIL, the market prices disseminated on BSE Limited were considered, since the shares of SIL is frequently traded share in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.

- The Fair value has been considered by complying the provisions of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.

- The Fair value has been arrived at Rs.132.70 per Equity Share of face value of Rs. 10/- Each.

Conclusion ratio:-

"577 (Five hundred and seventy seven) Equity Share of SIL of Rs 10 (Ten) each fully paid up to be issued for every 10 (Ten) Equity Shares of PRPPL of Rs. 100 (Hundred) each fully paid up.

Exclusions and Limitations

Our opinion and analysis is limited to the extent of review of the valuation report by the valuer and the Draft scheme document. In connection with the opinion, we have

A) Reviewed the Draft Scheme Document and the valuation report by the valuer dated 4th February, 2020.
B) Reviewed audited financials for SIL and PRPPL for the year ended March 31, 2019
C) Held discussions with the valuer, in relation to the approach taken to valuation and the details of various methodologies utilized by them in preparing the valuation report and recommendations
D) Sought various clarifications with the respective senior management teams of PRPPL and SIL
E) Reviewed historical stock prices and trading volumes of SIL
F) Reviewed such other information and explanations as we have required and which have been provided by the management of PRPPL and SIL.

This opinion is intended only for the sole use and information of SIL and in connection with the Scheme, including for the purpose of obtaining judicial and regulatory approvals for the Scheme or the purpose of complying with the SEBI regulations and requirement of stock exchanges on which the company is listed, and for no other purpose. We are not responsible in any way to any person/party/statutory authority for any decision of such person or party or authority based on this opinion. Any person/party intending to provide finance or invest in the shares/business of either PRPPL and/or SIL or their subsidiaries /joint ventures/associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

For the purpose of this assignment, Navigant has relied on the Valuation Certificate for the proposed "Scheme of Arrangement" of PRPPL and SIL and their respective shareholders and information and

NAVIGANT CORPORATE ADVISORS LTD * MUMBAI explanation provided to it, the accuracy whereof has not been evaluated by Navigant. Navigant's work does not constitute certification or due diligence of any past working results and Navigant has relied upon the information provided to it as set out in working results of the aforesaid reports.

Navigant has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification and availability of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of PRPPL and SIL and to the Stock Exchanges and to the Registrar of Companies. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed scheme of Arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

The information contained in this report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Certificate issued for the proposed Scheme of Arrangement between PRPPL and SIL and their respective shareholders, and may not be applicable or referred to or quoted in any other context.

Our opinion is dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to this date.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover in this case where the shares of the company are being issued as consideration to the shareholders of PRPPL, it is not the absolute valuation that is important for framing an opinion but the relative valuation of the company vis-a-vis shares of PRPPL.

We have assumed that the Final Scheme will not differ in any material respect from the Draft Scheme Document shared with us.

We do not express any opinion as to any tax or other consequences that might arise from the Scheme on PRPPL, SIL and their respective shareholders, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the respective companies have obtained such advice as they deemed necessary from qualified professionals. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, government investigation or other contingent liabilities to which PRPPL, SIL and/or their associates/ subsidiaries, are or may be party.

NAVIGANT CORPORATE ADVISORS LTD. MUMBAI

The company has been provided with an opportunity to review the Draft Opinion as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Final Opinion.

Our Opinion in not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter thereto.

Our Fairness Opinion:

Based upon valuation work carried out by Pramod Jain, Chartered Accountant& Registered Valuer (SFA) we are of the opinion that the purpose of the proposed Demerger of Industrial Undertaking of PRPPL to SIL are fair, from a financial point of view.

The fairness of the Proposed Demerger is tested by:

(1) Considering whether the Valuation methods adopted by Pramod Jain, Chartered Accountant& Registered Valuer (SFA) depict a correct picture on the value of shares of all companies;

(2) Calculating the fair market value of companies

(3) Considering qualitative factors such as economies of scale of operations, synergy benefits that may result from the proposed Demerger of PRPPL with SIL and demerger of Industrial Undertaking of PRPPL into SIL.

The rationale for Share Exchange ratio as explained above, will be issued as assumed by Pramod Jain, Chartered Accountant& Registered Valuer (SFA) is justified.

We are in opinion that, Pramod Jain, Chartered Accountant& Registered Valuer (SFA) is justified by taking the Fair Value of Companies, and covers each aspect of valuation.

This being of our best of professional understanding, we hereby sign the Fairness Opinion report on valuation.

For Navigant Corporate Advisors Limited

NAVIGANT CORPORATE ADVISORS LTD MUMBAI

Sarthak Vijlani
Managing Director