Pramod Jain

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Chartered Accountant, Insolvency Professional &
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7/A3, Visava Park
D.P.Road, Aundh,
Pune 411007
Maharashtra, India

4th February 2020

To,

The Audit Committee, **Sahyadri Industries Limited,** Swastik House,39D, Gultekdi, Jawaharlal Nehru Marg, Pune - 411 037.	**Board of Directors,** **Poonam Roofing Products Private Limited,** Swastik House,39D, Gultekdi, Jawaharlal Nehru Marg, Pune - 411 037.

Subject: Recommendation of Share Entitlement Ratio for the Proposed Demerger of Industrial Undertaking of Poonam Roofing Products Private Limited into Sahyadri Industries Limited.

Dear Sirs/Madam,

We refer to our engagement letter dated 26th December 2019 and subsequent discussion with the management of the Sahyadri Industries Limited ("SIL" or "Resulting Company") & Poonam Roofing Products Private Limited ("PRPPL" or "Demerged Company") *(together referred as "the Companies" or "client")* whereby the client has requested Pramod Jain, Chartered Accountant ("Us" or "We") for the recommendation of Share Exchange Ratio/ Share Entitlement Ratio for the proposed demerger of Industrial Undertaking of PRPPL into SIL pursuant to a Scheme of Arrangement under section 230 to 232 and other applicable clauses of the companies Act, 2013 ("Scheme"). In the following paragraphs, we have summarized our valuation analysis together with the limitation on our scope of work.

1. Purpose of the Report

We have been informed by the management of both companies are contemplating to demerge Identified Business of PRPPL into SIL pursuant to the Scheme of Arrangement. The proposed transaction is to be affected through the Scheme pursuant to the provision of Section 230 to 232 and other applicable provisions of the Companies Act, 2013.

For the purpose of this, Pramod Jain, Chartered Accountant has been requested by the Companies to submit the recommendation of Share Exchange Ratio/ Share Entitlement Ratio in connection with the Scheme.

The Valuation date considered for the above exercise is 1st December 2019.

The valuation of the instrument and business has been done using the "Going Concern" assumption. The standard of value applied is the "Fair Valuation" approach.

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.

2. Brief Background

Sahyadri Industries Limited

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 equity shares of SIL are listed on the BSE Limited.

The Authorised, Issued, Subscribed and Paid-up Share Capital of Sahyadri Industries Limited as on 31st December 2019 is as under:

Particulars	Amount in Rs.
Authorized Share Capital	
1,20,00,000 Equity Shares of Rs. 10/- each	12,00,00,000
TOTAL	**12,00,00,000**
Issued, Subscribed and Paid up Share Capital	
95,61,500 Equity Shares of Rs. 10/- each	9,56,15,000
TOTAL	**9,56,15,000**

The aforesaid share capital is held as follows:

Shareholders	Number of Shares	Percentage Holding
Promoter	63,49,991	66.41
Public	32,11,509	33.59
Total	**95,61,500**	**100**

The Management has represented that there are no outstanding stock options/ warrants/security/convertible instruments, etc. issued or granted by SIL as at the date of issue of this Report which would impact the number of equity shares of SIL. Further, the Management has confirmed that there will be no change in the shareholding pattern of SIL on account of allotment / issue of any shares till the demerger becomes effective.

Poonam Roofing Product Private Limited:

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 Processing, finishing and other job work of Cement Sheets, accessories and other support services, Real Estate activities.

The Authorised, Issued, Subscribed and Paid-up Share Capital of Poonam Roofing Products Private Limited as on 31st December 2019 is as under:

Particulars	Amount in Rs.
Authorized Share Capital	
75,000 Equity Shares of Rs. 100/- each	75,00,000
TOTAL	**75,00,000**
Issued, Subscribed and Paid up Share Capital	
24,000 Equity Shares of Rs. 100/- each	24,00,000
TOTAL	**24,00,000**

The aforesaid share capital is held as follows:

Shareholders	Number of Shares	Percentage Holding
Promoter	24,000	100
Total	**24,000**	**100**

The Management has represented that there are no outstanding stock options/ warrants/security/convertible instruments, etc. issued or granted by PRPPL as at the date of issue of this Report which would impact the number of equity shares of PRPPL. Further, the Management has confirmed that there will be no change in the shareholding pattern of PRPPL on account of allotment / issue of any shares till the demerger becomes effective.

Sources of Information / Data Obtained

For the purpose of this assignment, we have relied on the following sources of information provided by the Management of the companies:

- Audited Financials of SIL & PRPPL for the year ended on 31st March 2019.
- Unaudited Financials of SIL & PRPPL for the period of 8 months ended on 30th November 2019.
- Certified Financial Projections prepared and submitted to us of the Industrial Undertaking of PRPPL.
- SIL revenue projections given by the client for calculating the royalty income of PRPPL from brand "Swastik".
- Revised Royalty Agreement & Board Resolution passed by SIL approving it.
- Valuation Report given by L R Associates (Registered Valuer) regarding the fair value of Land & Building of PRPPL.
- Draft Scheme of Demerger of SIL and PRPPL.
- Latest Shareholding pattern of SIL and PRPPL.
- Business Outlook.
- Discussion with management (both orally and written) in relation to business plan of companies, their future plan etc.
- Information's & explanations received from the managements of the companies.
- Information available from public websites such as the Stock Exchange, Company and other companies operating in the same industry etc.

3. Procedures Adopted and Valuation Methods Followed

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

- Requested and received financials, various other data and qualitative information
- Used data available in public domain.
- Discussion (physical/call) with management required to perform relative valuation of the companies.
- Understand the business plan of companies, their future plan etc.
- Selection of internationally accepted valuation methodology/ies as considered appropriate by us.

4. Scope & Limitations

Our Report is subject to the scope and limitations detailed hereinafter.

- The recommendation contained herein is not intended to represent value at any time other than valuation date i.e. 1st December 2019 ("Valuation Date") and for any other purpose other than mentioned above.
- As such this Report is to be read in totality and not in a part.

- Our valuation is based on the information furnished to us is complete and accurate in all material respect.
- Our scope of work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this Report should be taken to imply that we have for the purpose of this assignment conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.
- The information presented in the Report does not reflect the outcome of any due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore the valuation materially.
- No Investigations of SIL and PRPPL claim to the title of assets has been made for the purpose of this valuation and their claims to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets. Therefore, no responsibility is assumed for matters of a legal nature. The Report is not, nor should it be construed, as our opinion or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implication or issues.
- We do not hold any responsibility to update this Report for events occurring after the date of this Report.
- Our Report should be used only by the Management and by no other person. 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 relied on the judgment and representations made by the Management and, accordingly, our valuation does not consider the assumption of contingent liabilities materializing. If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, then this may have an effect on our valuation computations.
- Our valuation is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the Undertaking valued by us and the industry it operates in, which may impact our valuation.
- We are not responsible either to any person/party or for any decision of such person or party based on this Report.
- The determination of the share entitlement ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single value.
- In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentation or wilful default on the part of the Client, their directors, employees or agents. In no circumstances shall the liability of our, our directors or employee shall exceed the amount paid to us in respect of fees by it for these services.
- The fees for this engagement is not contingent upon the results of this Report.
- We owe the responsibility to the Board of Directors of the Client which have retained us, and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omission of others. We do not accept any liabilities to any third party in relation to the issue of this Report. 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. It is understood that this analysis does not represent a fairness opinion.

- The report does not address the relative merits of the Proposed Demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

5. Basis of Share Entitlement Ratio

The share entitlement ratio has been arrived at on the basis of a relative valuation of Valuation Subjects based on the various approaches / methods explained herein earlier 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.

We have independently applied method/ approach discussed in the Annexure A, as considered appropriate, and arrived at the value per share of the Companies. To arrive at the consensus on the share entitlement ratio for the proposed demerger, suitable minor adjustments / rounding off have been done.

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 share entitlement ratio for the Proposed Demerge of Identified Business of PRPPL into SIL:

577 (Five Hundred and Seventy-Seven) equity shares of SIL Rs.10 (Ten) each fully paid up to be issued for every 10 (Ten) equity shares of PRPPL of Rs.100 (Hundred) fully paid up.

It should be noted that we have not examined any other matter including economic rationale for the Proposed Transaction per se or accounting, legal or tax matters involved in the Proposed Transaction.

Yours faithfully,

Pramod Jain

Chartered Accountant & Registered Valuer (SFA)

Membership No – 129741

IBBI Membership No: IBBI/RV06/2018/10361

Place: Pune

UDIN:20129741AAAAAA1947

Annexure A: Approaches/ Methodologies

i. It is universally recognized that Valuation is not an exact science and that estimating values necessarily involves selecting a method or an approach that is suitable for the purpose. Courts in India have, over a period of time, evolved certain guiding principles, the most leading case being the decision of the Supreme Court in Hindustan Lever Employee's Union vs. Hindustan Lever Limited and Others [(1995) 83 Company Cases 30].

ii. 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 I, 2018. The IVS shall be mandatory for the valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. We have given due cognizance to the same in carrying out the valuation exercise.

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

iv. It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Company. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Company, and other factors which generally influence the valuation of the company and their assets.

v. The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for the valuation of a similar nature and our reasonable judgment, in an independent and bona fide tanner based on previous experience of assignments of a similar nature.

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

- Asset Approach
- Income Approach
- Market Approach

Each of the above approaches are minutiae in the following paragraphs:

Asset Based Approach:

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on:

- book value basis or
- realizable value basis or
- replacement cost basis.

The Net Asset Value ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominates earnings capability. A scheme of amalgamation/ arrangement would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book values.

In a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation / arrangement, with the values arrived at on the net asset basis being of limited relevance. Therefore, we have not used the NAV Method for valuation.

Income Based Approach: -

DCF Approach

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

- Estimating future free cash flows:
- Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital- both debt and equity.
- 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.
- Estimation of the terminal value of free cash flows subsequent to the discreet projection period by taking into consideration the full investment cycle of the company.
- Discounting the future cash flows and the terminal value to the valuation date to determine the operating firm value.

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.

Market Approach-

Market Price Method:

The market price of an equity shares as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a demerger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Comparable Company Method:

Under this method, value of equity shares of a company is arrived at by using multiples derived from valuations off comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and sellers, incorporated all factors relevant to valuations. Relevant multiples need to be chosen carefully and adjusted for difference between circumstances.

The condition and prospects of the companies in similar lines of business depend on common factors such as overall demand for their products and services. An analysis of the market multiples of companies engaged in similar business yields insights into investor perceptions and therefore, the value of subject business.

In our valuation, we have considered and applied one or more of the above methods to value each entity, depending on the circumstances which in our opinion were most appropriate to the entity. The valuation methodology applied for each entity is elaborated in greater detail with the relevant Company valuation provided subsequently.

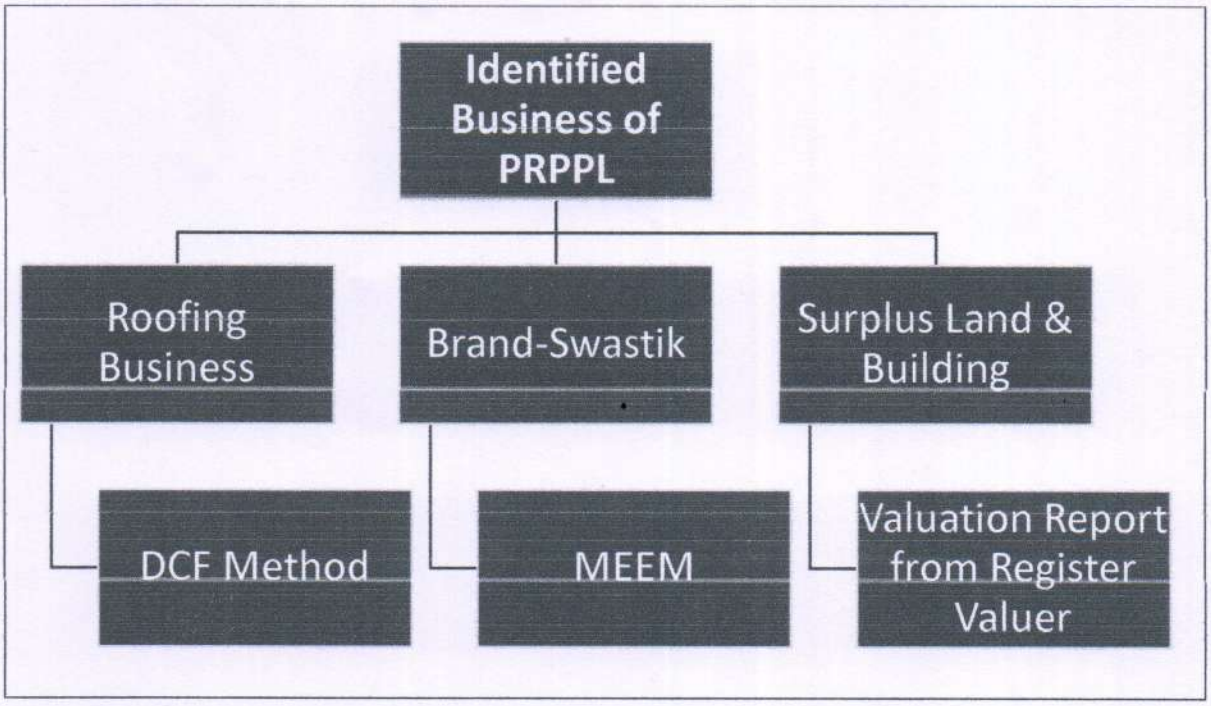
Valuation of Industrial Undertaking of PRPPL:

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, we have 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 is considered appropriate to value the job-work business of PRPPL as it arrives at a valuation considering the future cash flows available with the business. We have 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, we have 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.

3. Valuation of Surplus Land & Building of PRPPL

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

Particulars	Amount
Fair Value of the Land	25,85,29,740
Fair Value of the Building	1,33,82,484
Round off	27,19,00,000
Surplus i.e. Vacant Land & Building (in %)	50%
Value of Surplus Land & Building	13,59,50,000
Discount (25%) for illiquidity & Taxes	3,39,87,500
Net Value	**10,19,62,500**

The asset-based approach is not relevant in this instance as the book value does not take into consideration the inherent cash flow potential of Industrial Undertaking of PRPPL and the market-based approach is not considered appropriate given the lack of Similar comparable transactions in this space.

Valuation of SIL:

Generally, when a company is actively traded in the markets then the market approach is considered to be better representation of the value of the company than any other method. In respect of valuation of SIL, we have considered the market price of the Company to be a better representation of the value of the company. For this purpose, we have considered volume weighted average price of the company as per SEBI Preferential Allotment Regulation determined using the data of BSE Limited ('BSE') as the Company's equity shares are listed only on BSE.

The price considered is higher of following:

a) the average of weekly high and low of volume weighted average price of the related equity shares quoted on BSE during the twenty-six weeks preceding the report date.
b) the average of weekly high and low of volume weighted average price of the related equity shares quoted on BSE during the two-weeks preceding the report date.

Considering the equity shares of SIL are frequently traded, we have used this approach to value SIL.

Relative Valuation

The computation of share entitlement ratio for the demerger of Industrial Undertaking of PRPPL to SIL is tabulated below:

Valuation Approach	PRPPL Value per Share	Weight	SIL Value Per Share	Weight
Asset Approach	NA	0	NA	0
Income Approach	7660.5	1	NA	0
Market Approach	NA	0	132.7	1
Relative Value Per Share	**7660.5**		**132.7**	
Exchange Ratio (Rounded Off)	**57.7**			

NA: Not Available/Not Applied.

The value computed has been taken up to one decimal place with upward rounding off.

Pramod Jain

B.COM (H), MBA (F), PGDFA, DTL, LL.B, ACA, ACMA,
FCS, MBA (M), DCM, GST(ICAI) CFA, LIE-IBBI, IFRS(ICAI).
Chartered Accountant, Insolvency Professional &
Independent Director & Valuation Professional (RV-SFA)

7/A3, Visava Park
D.P.Road, Aundh,
Pune 411007
Maharashtra, India

Date: 13th April, 2020

To,

Sahyadri Industries Limited, Swastik House,39D, Gultekdi, Jawaharlal Nehru Marg, Pune - 411 037.	**Poonam Roofing Products Private Limited,** Swastik House,39D, Gultekdi, Jawaharlal Nehru Marg, Pune - 411 037.

Dear Sir/Madam,

Re: Addendum to our Valuation Report ("Report") dated 4th February 2020 on Recommendation of Fair Share Entitlement Ratio for the Proposed Demerger of "Industrial Undertaking" of Poonam Roofing Products Private Ltd into Sahyadri Industries Limited.

We refer our report titled "Recommendation of Fair Share Entitlement Ratio for the Proposed Demerger of "Industrial Undertaking" of **Poonam Roofing Products Private Ltd** (PRPPL) into **Sahyadri Industries Limited (SIL)** dated 4th February 2020 ("the Report")" and BSE email received by **Sahyadri Industries Limited** (SIL).

We are re-producing the computation of Fair Share Exchange Ratio table below with a detailed reason for adoption of methodology for computation of fair value of equity share of PRPPL and SIL.

Valuation Approach	**Sahyadri Industries Limited**		**Poonam Roofing Products Private Limited**	
	Value Per Share	**Weight**	**Value Per Share**	**Weight**
Asset Approach*	NA	-	NA	-
Income Approach*	N.A.	0	7,660.5	1
Market Approach*	132.7	1	N.A.	-
Relative Value Per Share	**132.7**		7660.5	
Swap Ratio/Exchange Ratio (Rounded Off)	**57.7**			

PRAMOD JAIN
CHARTERED ACCOUNTANT & REGISTERED VALUER
M.NO.: ICAIRVO/06/ RV-P00065/ 2018-19

Exchange Ratio:

577 (Five Hundred seventy seven) equity share of Sahyadri Industries Limited of INR 10 each fully paid up for every 10 (Ten) equity shares of Poonam Roofing Products Private Ltd of INR 100 each fully paid up.

We believe that the share entitlement ratio mentioned in the Report is fair considering that all the shareholders of PRPPL are and will, upon Proposed Demerger, be the shareholders of SIL in the ratio as mentioned hereinabove.

***Valuation approaches adopted and analysis in calculation of value of PRPPL**

Following three approaches are used for valuation:

- Asset Approach
- Income Approach
- Market Approach

Asset Approach

The Net Asset Value ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominates earnings capability. A scheme of amalgamation/ arrangement would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book values.

In a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation / arrangement, with the values arrived at on the net asset basis being of limited relevance. *The asset-based approach is not relevant in this instance as the book value does not take into consideration the inherent cash flow potential of Industrial Undertaking of PRPPL.PRPPL is going concern and operating Company and after the demerger of Industrial Undertaking from PRPPL to SIL, the PRPPL will remain as a going concern as a separate entity, Therefore, we have not used the Asset approach for valuation of Equity Shares of PRPPL.*

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 future cash flows.

The Multi-Period Excess Earnings Method (MEEM) 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

PRAMOD JAIN * CHARTERED ACCOUNTANT REGISTERED VALUER * M.NO.: ICAIRVO/06/ RV-P00065/ 2018-19 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.

Since, PRPPL is going concern and operating Company and after the demerger of Industrial Undertaking from PRPPL to SIL, the PRPPL will remain as a going concern as a separate entity, therefore, we have used DCF method & MEEM under Income Approach for valuation.

Market Approach

Under the market approach, the valuation is based on the market capitalization of the company in case of listed company or/ and comparable companies trading or transaction multiples of comparable companies. The market approach generally reflects the investors' perception about true worth of the Company. The valuation under the approach is based on the principle that market valuations, taking place between informed buyers and sellers, incorporated all factors relevant to valuations. Relevant multiples need to be chosen carefully and adjusted for difference between circumstances.

The condition and prospects of the companies in similar lines of business depend on common factors such as overall demand for their products and services. An analysis of the market multiples of companies engaged in similar business yields insights into investor perceptions and therefore, the value of subject business. *Since, Equity Shares of PRPPL is not listed on any stock exchange and due to lack of comparable companies or lack of similar comparable transactions, the use of this method is not appropriate in the present valuation, therefore, we have not used this approach for valuation of equity shares of PRPPL.*

***Detailed reason for Valuation approaches adopted in calculation of value of SIL**

Asset Approach

The Net Asset Value ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern. *The Asset approach is mainly used in case where assets base dominates earning capability.*

In a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation / arrangement, with the values arrived at on the net asset basis being of limited relevance. The asset-based approach is not relevant in this instance as the book value does not take into consideration the inherent cash flow potential. Therefore, we have not considered this approach for valuation of Equity Shares of SIL.

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

PRAMOD JAIN
CHARTERED ACCOUNTANT & REGISTERED VALUER
M. NO.: ICAIRVO/06/RV-P00055/2018-19

Discounted Cash flow (DCF) method under the income approach seeks to arrive at a valuation based on strength of future cash flows.

DCF Method under the Income Approach has not been considered as SIL is listed on BSE and information related to the future profits, balance Sheet and cash flows is price sensitive and not made available to us.

Market approach

Under the market approach, the market price of an equity share of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the trading. The market value reflects the investors' perception about the true worth of the Company.

The equity share of SIL are listed and traded at BSE. In the present case, the share price of SIL on BSE has been considered, the formula provided in Regulation 164(1) under Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2018 (ICDR) has been used for arriving at value per equity share of SIL under market price Method. Also, the equity share of SIL is frequently traded.

The Market price considered is higher of following:

a) The average of weekly high and low of volume weighted average price of the related equity shares quoted on BSE during the twenty-six weeks preceding the relevant date.
b) The average of weekly high and low of volume weighted average price of the related equity shares quoted on BSE during the two-weeks preceding the relevant date.

In our valuation, we have considered and applied the method as explained above to value each entity, depending on the circumstances which in our opinion were most appropriate to the entity.

Yours faithfully,
Pramod Jain
Chartered Accountant& Registered Valuer (SFA)

PRAMOD JAIN * CHARTERED ACCOUNTANT & REGISTERED VALUER *
M.NO.: ICAIRVO/06/ RV-P00065/ 2018-19

Membership No –129741
IBBI Membership No: IBBI/RV06/2018/10361
Place: Pune
UDIN: 20129741AAAAAB9341

Pramod Jain

B.COM (H), MBA (F), PGDFA, DTL, LL.B, ACA, ACMA, FCS,
MBA (M), DCM, GST (ICAI) CFA, LIE-IBBI, IFRS (ICAI), RVE-IBBI.
Chartered Accountant, Insolvency Professional,
Independent Director and Valuation Professional (RV-SFA)

7/A3, Visava Park
D.P.Road, Aundh,
Pune 411007
Maharashtra, India

Date: 26th June, 2020

To,

Sahyadri Industries Limited, Swastik House,39D, Gultekdi, Jawaharlal Nehru Marg, Pune - 411 037.	Poonam Roofing Products Private Limited, Swastik House,39D, Gultekdi, Jawaharlal Nehru Marg, Pune - 411 037.

Dear Sir/Madam,

Sub: Submission of Working for calculation of Share Swap Ratio

Re: Addendum to our Valuation Report ("Report") dated 4th February 2020 on Recommendation of Fair Share Entitlement Ratio for the Proposed Demerger of "Industrial Undertaking" of Poonam Roofing Products Private Ltd into Sahyadri Industries Limited.

We refer our report titled "Recommendation of Fair Share Entitlement Ratio for the Proposed Demerger of "Industrial Undertaking" of **Poonam Roofing Products Private Ltd** (PRPPL) into **Sahyadri Industries Limited (SIL)** dated 4th February 2020 ("the Report")"

We are proving the details of valuation working in the form of Annexure to this addendum.

Yours faithfully,

PRAMOD JAIN
CHARTERED ACCOUNTANT & REGISTERED VALUER
M.NO.: ICAIRVO/06/ RV-P00065/ 2018-19

Pramod Jain
Chartered Accountant & Registered Valuer (SFA)
Membership No - 129741
IBBI Membership No- IBBI/RV06/2018/10361

Annexure

Valuation working for determination of Share Swap ratio

We have calculated the exchange ratio as ***"577 (Five Hundred seventy seven) equity share of Sahyadri Industries Limited of INR 10 each fully paid up for every 10 (Ten) equity shares of Poonam Roofing Products Private Ltd of INR 100 each fully paid up."***

THE VALUE PER SHARE OF PRPPL HAS BEEN CALCULATED AS UNDER:

Value of PRPPL has been calculated as an aggregate of value of following division of PRPPL:

Particulars	Amount in Rs.
Job Work Business (as per step I)	108,103,784
Brand "Swastik" (as per step II)	75,747,538
Total	**183,851,322**
No of Equity Shares of face value of Rs. 10 each	**24,000**
Per equity share value	**7660.50**

Step I: Value of "Job work Business" of PRPPL has been calculated under:

Assumptions	
Effective Tax Rate	25.17%
Beta	1.01
Perpetual Growth Rate	3.00%

Particulars	Projections - Amt in Rs.				
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
PBT	256,647	681,031	940,166	1,219,009	1,518,750
Add: Depreciation	103	-	-	-	-
Add: Interest	-	-	-	-	-
EBITDA	256,750	681,031	940,166	1,219,009	1,518,750
EBITDA (Net of Taxes) (Note 4)	192,157	509,629	703,545	912,209	1,136,511
Changes in WC	(432,333)	10,500	40,880	44,024	47,435
Changes in Capex	-	-	-	-	-
Free Cash Flow Available to Firm	-240,176	520,129	744,425	956,233	1,183,946
WACC			17.3%		
Growth			3%		
Terminal Value			8,533,692		
Period from 1st December 2019	0.33	1.33	2.33	3.33	4.33
PV Factor	0.95	0.81	0.69	0.59	0.50
Present Value of cash flows	-227,742	420,497	513,112	561,945	593,200
Present value of terminal value			4,275,688		
Total value of the firm			6,136,700		
Less: Gross Debt as on 31 March 2019					
Add: Surplus Assets			101,967,084		
Equity Value			108,103,784		

Note 1

Ke (CAPM)

Particular	Abbreviation	Rate	Comment
Risk-free interest rate	R (f)	7.02%	G-Sec 10 years
Market Return	R (m)	10.26%	Note 2
Equity risk premium	R (p)	3.23%	Additional risk for shareholders
Beta value	ß	1.01	
Ke (CAPM)	R €	10.3%	-
Company Specific Risk		7.00%	Size, liquidity, Regulatory etc
Cost of Equity	Ke	17.3%	Rounded-off

Note 2

Market Return

Particular	Rate
Sensex as on 1.12.2009	16,983
Sensex as on 1.12.2019	40,889
IRR	10.26%

Note 3

Taxes

Particulars	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
EBITDA	256,750	681,031	940,166	1,219,009	1,518,750
Depreciation	103	-	-	-	
EBIT	256,647	681,031	940,166	1,219,009	1,518,750
Taxes	64,593	171,402	236,621	306,800	382,239

Step II: Value of "Brand Swastik" of PRPPL has been calculated under:

Particulars	Projections- Amt in Rs.				
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
SIL Revenue	2,710,857,000	2,792,182,710	2,931,791,846	3,078,381,438	3,232,300,510
Royalty Rate			0.5%		
Royalty Amount	4,560,649	13,960,914	14,658,959	15,391,907	16,161,503
Less: Royalty Expenses	-	-	-	-	-
Gross Income	4,560,649	13,960,914	14,658,959	15,391,907	16,161,503
Less: Tax	1,147,824	3,513,683	3,689,367	3,873,835	4,067,527
Net Income	3,412,825	10,447,231	10,969,592	11,518,072	12,093,976
WACC			17.3%		
Growth			3%		
Terminal Value			87,171,413		
Period from 1st December 2019	0.33	1.33	2.33	3.33	4.33
PV Factor	0.95	0.81	0.69	0.59	0.50
Present Value of cash flows	3,236,138	8,446,041	7,561,040	6,768,771	6,059,519
Present value of terminal value			43,676,029		
Total value of the Brand					75,747,538

<u>THE VALUE PER SHARE OF SIL HAS BEEN CALCULATED AS UNDER:</u>

PRAMOD JAIN * CHARTERED ACCOUNTANT & REGISTERED VALUER
M.NO.: ICAIRVO/06/ RV-P00065/ 2018-19

The equity share of SIL are listed and traded at BSE. In the present case, the share price of SIL on BSE has been considered, the formula provided in Regulation 164(1) under Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2018 (ICDR) has been used for arriving at value per equity share of SIL under market price Method. Also, the equity share of SIL is frequently traded.

The Market price considered is higher of following:

a) the average of weekly high and low of volume weighted average price of the related equity shares quoted on BSE during the twenty-six weeks preceding the relevant date.
b) the average of weekly high and low of volume weighted average price of the related equity shares quoted on BSE during the two-weeks preceding the relevant date.

Accordingly, per share equity value has been calculated as under:

Date of Board of Director's Meeting for Approval of Scheme	5-Feb-2020
Relevant Date	5-Feb-2020

A] Average of weekly high & low of the volume weighted average price (VWAP) of the equity shares of Sahyadri Industries Limited quoted on the BSE Limited during the last twenty-six weeks preceding the relevant date (considering relevant date as 05-Feb-2020)

Weeks	From	To	High	Low	Average
1	07-Aug-19	13-Aug-19	141.0	135.6	138.32
2	14-Aug-19	20-Aug-19	157.3	155.1	156.24
3	21-Aug-19	27-Aug-19	152.7	142.3	147.54
4	28-Aug-19	03-Sep-19	154.3	145.6	149.92
5	04-Sep-19	09-Sep-19	147.4	143.6	145.51
6	11-Sep-19	17-Sep-19	163.8	151.5	157.61
7	18-Sep-19	24-Sep-19	164.5	151.7	158.10
8	25-Sep-19	01-Oct-19	160.4	148.1	154.25
9	03-Oct-19	07-Oct-19	145.8	143.8	144.76
10	09-Oct-19	15-Oct-19	141.4	139.0	140.19
11	16-Oct-19	22-Oct-19	141.7	135.6	138.65
12	23-Oct-19	29-Oct-19	140.3	136.3	138.28
13	30-Oct-19	05-Nov-19	141.4	137.7	139.56
14	06-Nov-19	11-Nov-19	135.7	130.3	133.04
15	13-Nov-19	19-Nov-19	119.3	116.3	117.80
16	20-Nov-19	26-Nov-19	116.4	107.8	112.13
17	27-Nov-19	03-Dec-19	119.5	107.8	113.65
18	04-Dec-19	10-Dec-19	109.9	102.3	106.11
19	11-Dec-19	17-Dec-19	101.4	100.0	100.68
20	18-Dec-19	24-Dec-19	111.3	101.5	106.44
21	26-Dec-19	31-Dec-19	111.3	108.3	109.84
22	01-Jan-20	07-Jan-20	127.2	115.2	121.19
23	08-Jan-20	14-Jan-20	136.9	121.2	129.03
24	15-Jan-20	21-Jan-20	136.1	131.8	133.96

PRAMOD JAIN
M.NO.: CAIRVO/06/ ...0065/

Weeks	From	To	High	Low	Average
25	22-Jan-20	28-Jan-20	131.6	130.1	130.83
26	29-Jan-20	04-Feb-20	130.0	122.1	126.07
Average Price 26 weeks high low					**132.68**

B] Average of weekly high & low of the volume weighted average price (VWAP) of the equity shares of Sahyadri Industries Limited quoted on the BSE Limited during the last two weeks preceding the relevant date (considering relevant date as 05-Feb-2020)

Weeks	From	To	High	Low	Average
1	22-Jan-20	28-Jan-20	131.58	130.08	130.83
2	29-Jan-20	04-Feb-20	130.01	122.13	126.07
Average Price 2 weeks high low					**128.45**

A] Average of 26 weeks high low of the VWAP	132.68
B] Average of 2 weeks high low of the VWAP	128.45
Applicable Minimum Price (Higher of the A or B)	**132.7**

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