

VALUATION REPORT
FOR FAIR SHARE ENTITLEMENT RATIO FOR PROPOSED DEMERGER OF
UNDERTAKING i.e. CHINTAMANI UNDERTAKING OF ARCHIDPLY
INDUSTRIES INTO ARCHIDPLY DÉCOR LIMITED
ON 30TH MAY 2018

SURESH SHAH & CO.
CHARTERED ACCOUNTANTS

Shop No S-15, 2nd floor, Sej Plaza, Marve road, Near Nutan school, Malad (west)
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SURESH SHAH & CO.

Payal Gada
B.Com, FCA

CHARTERED ACCOUNTANTS

30 May 2018

To,

The Board of Directors

Archidply Industries Ltd

Plot No.7, Sector - 9, Integrated Industrial Estate, SIDCUL,
Pant Nagar, Rudrapur, Udham Singh Nagar, UR - 263153

The Board of Directors

Archidply Décor Limited

Plot No.7, Sector - 9, Integrated Industrial Estate, SIDCUL,
Pant Nagar, Rudrapur, Udham Singh Nagar, UR - 263153

Sub: Recommendation of fair share entitlement ratio for proposed demerger of Demerged Undertaking i.e. Chintamani Undertaking of Archidply Industries Limited into Archidply Décor Limited

Dear Sirs/Madams,

We refer to the engagement letter with Suresh Shah & Co. Chartered Accountants (hereinafter referred to as "SSCO" or "Valuer" or "we" or "us"), wherein Archidply Industries Limited ("AIL" or the "Demerged Company"), and Archidply Décor Limited ("ADL" or the "Resulting Company") (collectively AIL and ADL are hereinafter referred to as "the Companies") have requested us to recommend a fair share entitlement ratio for proposed demerger of Demerged Undertaking i.e. Chintamani Undertaking of Archidply Industries Limited into Archidply Décor Limited ("Proposed Demerger").

SCOPE AND PURPOSE OF THIS REPORT

We understand that the Management of the Companies ("Management") are proposing to Demerge the Demerged Undertaking i.e. Chintamani Undertaking of Archidply Industries Limited into Archidply Décor Limited with effect from appointed date of 1st April, 2018. This is proposed to be achieved by implementing a scheme of Arrangement under the provisions of Section 230 to 232 read alongwith Section 52 and Section 66 of the Companies Act, 2013 ("Scheme of Arrangement"). As a part of the Proposed Demerger and as consideration for the Demerger, the shareholders of AIL will be issued equity shares of ADL.

For the aforesaid purpose, the Companies have appointed SSCO to advise on the fair share entitlement ratio for Proposed Demerger of Demerged Undertaking i.e. Chintamani Undertaking of Archidply Industries Limited into Archidply Décor Limited



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This report is our deliverable for the above engagement.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with preparing this report, we have received the following information from the Management of the Companies:

AIL

- Audited Financial Statements of AIL for the years ended 31 March 2015, 31 March 2016 and 31 March 2017
- Financial statements of AIL as filed with stock exchanges for the period 1 April 2017 to 31 December 2017
- Financial statements of Demerged Undertaking ie Chintamani Undertaking of AIL for the year ended 31 March 2018
- Financial statement of AIL for the year ended 31 March 2018
- Business Projections of Demerged Undertaking ie Chintamani Undertaking and of the balance business of AIL for 5 years ie for years ending 31 March 2019 to 31 March 2023

ADL

- Financial Statements of ADL for the year ended 31 March 2018

Besides the above listing, we have also undertaken discussions with the Management of the Companies in connection with the operations of the respective Companies, past trends and future plans and prospects, etc. We have also been provided with draft Scheme of Arrangement.

We have also obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Companies. The Companies have been provided with the opportunity to review the draft report (excluding the recommended fair share entitlement ratio) for this engagement to make sure that factual inaccuracies are avoided in our final report.

PROCEDURES ADOPTED

- Discussions with the management for understanding the business and fundamental factors that affect the earning-generating capability of the Companies and of the Demerged Undertaking.
- Requested and received financial and qualitative information on both the Companies as well as of the Demerged Undertaking.
- Within the framework of valuation approaches and SEBI guidelines, finalizing valuation methods for valuation
- Identified suitable comparable companies





- Arrived at valuation using methods considered appropriate.
- Determined fair share entitlement ratio for the Proposed Demerger.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein (i) are specific to the purpose of valuation agreed as per the terms of our engagement; (ii) are specific to the date of this report, (iii) are based on the latest financials of the Demerged Undertaking and of the Companies. A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other condition in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after this date may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Companies (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independently verifying, (i) the accuracy of the information that was publicly available and (ii) the accuracy of information made available to us by the Companies. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The respective Managements of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Companies.

The report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be marketed in a



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competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited/unaudited financial statements of the Companies.

This report does not look into the business/ commercial reasons behind the Proposed Demerger nor the likely benefits arising out of the same. Similarly, it 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. This report is restricted to computation of fair share entitlement ratio only.

No investigation of the Companies' claim to title of assets has been made for the purpose of this report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature..

The financial forecasts used in the preparation of the report reflects judgment of the Management of the Companies, based on the present circumstances, as to the most likely set of conditions and the course of action they are most likely to take. It is usually the case that some events and circumstances do not occur as expected and are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts, and such differences may be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility only to the Board of Directors of the Companies, under the terms of our engagement, and nobody else. We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Arrangement, without our prior written consent. In addition, we express no opinion or recommendation as to how the shareholders of Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Demerger.





BACKGROUND OF THE COMPANIES

- (a) Archidply Industries Limited (AIL)
- i. Archidply Industries Limited a Limited company incorporated under the Companies Act, 1956, having its registered office at Plot No.7, Sector - 9, Integrated Industrial Estate, SIDCUL, Pant Nagar, Rudrapur, Udham Singh Nagar, UR - 263153
 - ii. The Demerged Company is a well established company, engaged in the business of wood panel products and decorative surfacing products and has two manufacturing undertakings :-
 - a) Rudrapur (Uttarakhand) Undertaking and
 - b) Chintamani (Karnataka) Undertaking
 - iii. The following products are manufactured at Rudrapur Undertaking and Chintamani Undertaking
Rudrapur :-
 - 1 Plywoods - Marine Plywood, Fire Retardant Plywood, Shuttering Plywood, Densified Film Faced Plywood, BWR & MR Plywood, Lamyply and Lamyboard.
 - 2 Block Board and Flush Doors - BWR & MR grade
 - 3 Decorative Laminates - range from 0.8mm to 1.5mm and post form laminatesChintamani:-
 1. Particle Boards - plain, veneered and pre laminated particle board both in interior and exterior grade
 2. Decorative Veneers - Teak, natural exotic veneers, reconstituted veneers and dyed veneers.In addition trading of Gurjan based plywood and Face Veneers from Myanmar is also done in Chintamani Undertaking.
 - iv. The Demerged Company is a listed Company and its shares are listed on BSE limited and National Stock Exchange of India Limited (NSE)
 - v. AIL has 2,20,65,000 equity shares issued and outstanding as of the date of this report.





(b) Archidply Decor Limited

- i. Archidply Decor Limited is a public Limited company incorporated under the Companies Act, 2013, having its registered office at Plot No.7, Sector - 9, Integrated Industrial Estate, SIDCUL, Pant Nagar, Rudrapur, Udham Singh Nagar, UR -- 263153
- ii. The Resulting Company is a newly incorporated company with the main objects of manufacturing and trading of Wood panel products and other related activities.
- iii. The Resulting Company is an unlisted company and does not have any material operation as of now.
- iv. The Resulting Company has 50,000 equity shares issued and outstanding as of the date of this report.

The Companies do not have any warrants, options or other convertible instruments issued and outstanding as of the date of this report as informed to us.

The Management has informed us that there would not be any other capital variation in the Companies till the Proposed Demerger becomes effective.

Approach – Basis of Demerger

We understand that the Management of the Companies ("Management") are proposing to Demerge the Demerged Undertaking i.e. Chintamani Undertaking of Archidply Industries Limited into Archidply Décor Limited with effect from appointed date of 1st April, 2018. This is proposed to be achieved by implementing a scheme of Arrangement under the provisions of Section 230 to 232 read alongwith Section 52 and Section 66 of the Companies Act, 2013 ("Scheme of Arrangement"). As a part of the Proposed Demerger and as consideration for the Demerger, the shareholders of AIL will be issued equity shares of ADL.

The effect of the Demerger is that each shareholder of AIL becomes the owner of shares in two companies instead of one. The Scheme does not envisage the dilution of the holding of any one or more shareholders as a result of the operation of the Scheme. Post Demerger, the percentage holding of a shareholder in AIL and in ADL would remain almost unchanged from the proportion of capital held by such shareholder in AIL.

Considering the above, any entitlement ratio can be considered for the above demerger as the proportionate shareholding of any shareholder would not materially vary.

We have considered the following to determine the fair share entitlement ratio:

- (a) the value based on ratio of capital employed of Demerged Undertaking i.e. Chintamani Undertaking to the capital employed in other business of AIL; and



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(b) value based on expected future profitability of Demerged Undertaking ie Chintamani Undertaking to the expected future profitability of other business of AIL

The workings are given in Annexure - I to this report.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the valuer and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

Conclusion for Demerger

In the light of the above and on a consideration of all the relevant factors and circumstances, we recommend a ratio of 1 (One) equity share of ADL of INR 10/- each fully paid up for, not in exchange of, every 4 (Four) equity shares of AIL of INR 10/- each fully paid up.

The above fair share entitlement ratio has been arrived at on the basis of a relative valuation for the Demerged Undertaking and for each of the Companies based on the various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.

Respectfully submitted.

For Suresh Shah & Co.
Chartered Accountants
ICAI Firm Registration No.: 125085W

FCA Payal
Membership No : 110424
Place: Mumbai



Annexure – I: Computation of fair share entitlement ratio

Computation of fair share entitlement ratio		Chintamani	Rudrapur	Total
Net Asset Value	Rs cr	48.04	83.88	131.92
Market Price per equity share (based on average of 2 week's closing prices on NSE upto 29 May 2018)	Rs			83.92
Price to Book Value Multiple	#			1.40
Value of unit using Price to Book Value Multiple	Rs cr	67.43	117.74	185.17
Profit After Tax of AIL for FY 2017	Rs cr			6.69
Price to Earnings Multiple - FY2017 for AIL	#			27.69
Note: Profit After Tax for FY2017 of AIL has been considered as the PAT for FY2018 is very low and not representative of normative levels of PAT for AIL				
Century Plyboards (India) Limited				
Market Price of equity share	Rs			280
Consolidated EPS for FY2018	Rs			7.34
Price to Earnings Multiple	#			38.11
Greenply Industries Ltd				
Market Price of equity share	Rs			268
Consolidated EPS for FY2018	Rs			9.02
Price to Earnings Multiple	#			29.68
Average P/E Multiple (based on P/E Multiple of AIL, Century Plyboards and Greenply)				31.83
Forward P/E Multiple - FY 2019 (discounted average P/E Multiple by 15%)				27.68
Forward P/E Multiple - FY 2020 (discounted P/E Multiple for FY2019 by 15%)				24.07
Forward Profit After Tax - FY 2019 Projected	Rs cr	1.15	8.20	9.35
Forward Profit After Tax - FY 2020 Projected	Rs cr	1.63	9.77	11.40
Value of BU				
Based on FY 2019 Projected Profit after tax	Rs cr	31.90	227.01	258.90
Based on FY 2020 Projected Profit after tax	Rs cr	39.18	235.07	274.25
Based on Price to Book Value Multiple	Rs cr	67.43	117.74	185.17
Average Value	Rs cr	46.17	193.27	239.44
Ratio of value	Ratio	0.193	0.807	1.00
Fair Share Entitlement Ratio (rounded) based on relative valuation of Chintamani Undertaking and Rudrapur Undertaking	Ratio	1.0	4.0	



ANNEXURE I

The valuation report shall display the workings, relative fair value per share and fair share entitlement ratio in the following manner:

Computation of Fair Share Entitlement Ratio

Valuation Approach	Archidply Decor Limited (Resulting Company)		Archidply Industries Limited (Demerged Company)	
	Value per Share	Weight	Value per Share	Weight
Asset Approach Income Approach Market Approach	N.A	NA.	NA	NA
Market Approach Comparable Companies Multiples Method	NA	NA	NA	NA
Relative Value per Share				
Entitlement Ratio (rounded off)		1	4	
Split of Exchange Ratio- Towards Equity shares				

Fair share entitlement ratio:

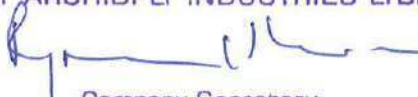
- One (1) Equity Share of the Resulting company (Archidply Decor Limited) of Rs. 10/- each fully paid up for every Four (4) Equity Share of Rs. 10 each fully paid up held in the Share Capital of the Demerged Company (Archidply Industries Limited)

Note:

- (a) The value based on ratio of capital employed of Demerged Undertaking ie Chintamani Undertaking to the capital employed in other business of AIL; and
- (b) Value based on expected future profitability of Demerged Undertaking ie Chintamani Undertaking to the expected future profitability of other business of AIL.

The copy of the Computation of fair entitlement ratio is enclosed herewith as Annexure- I for your ready reference.

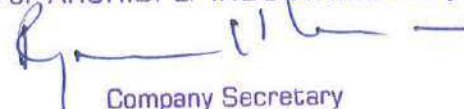
For ARCHIDPLY INDUSTRIES LTD.,


Company Secretary

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Average Value	Rs cr	46.17	193.27	239.44
Ratio of value	Ratio	0.193	0.807	1.00
Fair Share Entitlement Ratio (rounded) based on relative valuation of Chintamani Undertaking and Rudrapur Undertaking	Ratio	1.0	4.0	

For ARCHIDPLY INDUSTRIES LTD.,


 Company Secretary