

STRICTLY PRIVATE & CONFIDENTIAL

December 18, 2023

To,
The Board of Directors,
Shankara Building Products Limited
G2, No. 133, Farah Winsford,
Infantry Road,
Bengaluru – 560 001, Karnataka.

The Board of Directors,
Shankara Buildpro Limited
#21/1 & 35-A-1 Hosur Road,
Electronic City,
Bengaluru – 560 001, Karnataka.

Sub: Fairness Opinion on Share Entitlement Ratio for the proposed demerger of ‘Trading Business’ of Shankara Building Products Limited into Shankara Buildpro Limited

Dear Sir(s),

We refer to our engagement letter dated November 28, 2023 and discussion wherein the management of Shankara Building Products Limited (‘SBPL’ or ‘Demerged Company’) and Shankara Buildpro Limited (‘Resulting Company’) has requested Fortress Capital Management Services Private Limited (hereinafter referred to as “we” or “Fortress”), a SEBI Registered Category I Merchant Banker to give a fairness opinion on the share entitlement ratio for the proposed demerger of ‘Trading Business’ of SBPL (‘Demerged Undertaking’ or ‘Demerged Business’ or ‘Trading Business’) into the Resulting Company recommended by SSPA & Co., Chartered Accountants (hereinafter referred to as “Valuer”). SBPL and Resulting Company are hereinafter collectively referred to as the ‘Companies’.

1. BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

- 1.1 We have been informed by the management of Demerged Company and Resulting Company (hereinafter collectively referred to as ‘the Management’) that they are considering the following proposal for demerger of Trading Business of Demerged Company into Resulting Company pursuant to a scheme of arrangement under section 230

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Fortress Capital Management Services Pvt. Ltd. CIN : U67120MH2004PTC145815

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to 232 and other relevant provisions of the Companies Act, 2013 (hereinafter referred to as the 'Scheme'):

- 1.2 Subject to necessary approvals, the Trading Business of Demerged would be demerged into the Resulting Company with effect from the Appointed Date of April 01, 2024 (hereinafter referred to as the 'Appointed Date'). The proposed transaction is hereinafter referred to as the 'Proposed Demerger'.

1.3 **SHANKARA BUILDING PRODUCTS LIMITED**

The Demerged Company is a leading organized retailer of home improvement and building products in India operating under the brand name of "Shankara BuildPro" The Demerged Company has 125 fulfilment centers out of which 91 are stores and 21 warehouses, 13 processing unit in 10 states and in 1 union territory in India.

The Demerged Company product portfolio is spread across categories of construction materials, plumbing, sanitary ware, flooring, electrical, and interior exterior finishing.

The Demerged Company caters to the following segments:

- i. Retail Segment: The Demerged Company has 91 retail stores operating under the brand name of "Shankara BuildPro". The stores are spread across South, West and East India.
- ii. Enterprise Segment: The Demerged Company caters directly to industrial customers under this segment.
- iii. Channel Segment: The Demerged Company caters to dealers and other retailers through its branch network.

The equity shares of the Demerged Company are listed on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE').

The standalone revenue from operations of the Demerged Company for six months period ended September 30, 2023 ('6ME Sep23') is INR 2,361.89 crores and standalone profit before tax of the Demerged Company for 6ME Sep23 is INR 40.22 crores.

1.4 **'TRADING BUSINESS' OF SHANKARA BUILDING PRODUCTS LIMITED**

Trading Business of the Demerged Company comprises of retail, supply, distribution and promotion of various home improvement and building products in India including but not limited to steel pipes and tubes, structural steel products, infrastructure materials, PVC products, aluminium and metal products, fabrication, electrical products, tiles and sanitary wares, through multiple sales channel(s).



1.5 SHANKARA BUILDPRO LIMITED

The Resulting Company is a public limited company incorporated on October 13, 2023, under the provisions of the Companies Act 2013 having its registered office at #21/1 & 35-A-1 Hosur Road, Electronic City, Bangalore - 560 100, Karnataka. The Resulting Company is a wholly owned subsidiary of the Demerged Company and incorporated to inter-alia carry on the business with primary focus on engaging in retailing, trading, warehousing, wholesale distribution and ecommerce activities related to all building materials as per the Memorandum of Association.

We have been informed that with the issue and allotment of equity shares by the Resulting Company to the equity shareholders of the Demerged Company in accordance with the proposed Scheme, all the existing equity shares issued by the Resulting Company to the Demerged Company shall stand cancelled.

- 1.6 As a consideration for the Proposed Demerger of Trading Business of the Demerged Company into the Resulting Company, equity shareholders of the Demerged Company are proposed to be allotted equity shares of face value of Rs. 10 each fully paid up of the Resulting Company. As part of the Scheme, the existing equity shares of the Resulting Company as held by the Demerged Company will be cancelled on the demerger coming into effect.
- 1.7 In this regard Valuer was appointed to provide share entitlement ratio for the Proposed Demerger of the Trading Business of the Demerged Company into the Resulting Company.
- 1.8 Accordingly, we have been appointed in the capacity of SEBI Registered Category I Merchant Banker to give a fairness opinion on share entitlement ratio for the Proposed Demerger recommended by the Valuer to comply with SEBI Guidelines.
- 1.9 The information contained in our report herein is confidential. It is intended only for the sole use of captioned purpose including for obtaining the requisite statutory approvals.

2. SOURCES OF INFORMATION

For the purposes of this exercise, we have relied upon the following sources of information:

- (a) Draft Scheme of Arrangement
- (b) Provisional unaudited statement of assets and liabilities of Trading Business of the Demerged Company as on September 30, 2023, as certified by the management of the Demerged Company.



- (c) Report dated December 18, 2023, issued by Valuer.
- (d) Such other information and explanations as we required, and which have been provided by the Management including Management Representations and Valuer.

3. EXCLUSIONS AND LIMITATIONS

- 3.1 Our conclusion is based on the information furnished to us being complete and accurate in all material respects.
- 3.2 We have been represented by the Management of the Companies that the Companies have clear and valid title of assets. No investigation on Companies claim to title of their assets has been made and their claim to such rights has been assumed to be valid.
- 3.3 Our work does not constitute verification of historical financials or including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.
- 3.4 Our opinion is not intended to and does not constitute a recommendation to any shareholders as to how such shareholder should vote or act in connection with the Scheme or any matter related therein.
- 3.5 The fee for the engagement and this report is not contingent upon the results reported.
- 3.6 Our liability (statutory or otherwise) for any economic loss or damage arising out of the rendering this Opinion shall be limited to amount of fees received for rendering this Opinion as per our engagement.
- 3.7 Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed merger with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 3.8 Any person / party intending to provide finance / divest / invest in the shares / convertible instruments / business of the Companies 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.
- 3.9 This Fairness Opinion (“Opinion”) is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on the Opinion including any significant changes that have taken place or are likely to take place in the



financial position of the Companies. Events and transactions occurring after the date of this Opinion may affect the opinion and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this Fairness Opinion.

- 3.10 We do not express any opinion as to the price at which shares of the Company may trade at any time, including subsequent to the date of this opinion.
- 3.11 This Fairness Opinion has been issued for the sole purpose to facilitate the Companies to comply with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/665 dated November 23, 2021 relating to Scheme of Arrangement by Listed Entities, it shall not be valid for any other purpose and should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 3.12 Fortress nor its directors, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness, or completeness of the information, based on which the fairness opinion is provided. All such parties expressly disclaim any and all liability for/or based on or relating to any such information contained in the fairness opinion.

4. REVIEW OF DOCUMENTS

For arriving at the opinion, we have reviewed the following documents:

- Draft Scheme of Arrangement.
- Shareholding Pattern of Companies.
- Provisional unaudited statement of assets and liabilities of Trading Business of the Demerged Company as on September 30, 2023.
- Report dated December 18, 2023, of Valuer.
- Explanation and information provided by the Management of Companies and Valuer.



5. VALUATION METHODOLOGY ADOPTED BY VALUER

Since all the shareholders of Demerged Company are and will, upon Proposed Demerger of the Trading Business of Demerged Company into Resulting Company, be the ultimate beneficial owners of Resulting Company in the same ratio (inter se) as they hold shares in Demerged Company Therefore, no relative valuation of Trading Business of the Demerged Company and of the Resulting Company is carried out by the Valuer for the Proposed Demerger.

6. CONCLUSION

On the basis of and subject to the foregoing, to the best of our knowledge and belief and based on the information and explanation provided to us, in our opinion, since all the shareholders of Demerged Company are and will, after Proposed Demerger, remain ultimate beneficial owners of Resulting Company in the same ratio (inter-se) as they hold shares of Demerged Company the following Share Entitlement Ratio **recommended by Valuer is fair:**

1 (One) equity share of INR 10 each fully paid up of Resulting Company for every 1 (One) equity share of INR 10 each fully paid up held in Demerged Company.

Thanking you,

Yours faithfully,

For Fortress Capital Management Services Pvt. Ltd.



Authorized Signatory



Place: Mumbai

SEBI Registration No.: INM000011146