

STRICTLY PRIVATE & CONFIDENTIAL

December 18, 2023

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

To,
Board of Directors,
Shankara Buildpro Limited
#21/1 & 35-A-1 Hosur Road,
Electronic City,
Bengaluru – 560 100, Karnataka.

Dear Sir(s)/ Madam(s),

Re: Report on recommendation of fair share entitlement ratio for the proposed demerger of 'Trading Business' of Shankara Building Products Limited into Shankara Buildpro Limited

We refer to the engagement letter dated November 28, 2023, whereby, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Registered Valuer' or 'We') have been appointed by the management of Shankara Building Products Limited ('SBPL' or 'Demerged Company') and Shankara Buildpro Limited ('Resulting Company') to issue a report recommending a fair share entitlement ratio for the proposed demerger of Trading Business of Demerged Company (hereinafter referred to as the 'Demerged Undertaking' or the 'Demerged Business' or 'Trading Business') into Resulting Company.

(Demerged Company and Resulting Company are hereinafter collectively referred to as the 'Companies').

1. SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the management of Demerged Company and Resulting Company (hereinafter referred to as 'the Management') that they are considering a proposal for demerger of Trading Business of Demerged Company into Resulting Company pursuant to a scheme of arrangement under section 230 to 232 and other relevant provisions of the Companies Act, 2013 (hereinafter referred to as the 'Scheme').



Subject to necessary approvals, Trading Business of Demerged Company would be demerged into Resulting Company with effect from the appointed date of April 01, 2024 (hereinafter referred to as 'Appointed Date').

The proposed transaction is hereinafter referred to as the 'Proposed Demerger'.

- 1.2 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 INR 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.
- 1.3 In this regard, we have been requested to issue a report containing recommendation of fair share entitlement ratio for the Proposed Demerger.

2. BRIEF BACKGROUND

2.1. 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 units in 10 states and in 1 union territory in India.

The Demerged Company's 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.

2.2. '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).

2.3. 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.

3. REGISTERED VALUER - SSPA & CO., CHARTERED ACCOUNTANTS

SSPA, is a partnership firm, located at 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.



4. SOURCES OF INFORMATION

For the purpose of this exercise, we have relied upon the following sources of information received from the Management and information available in the public domain:

- (a) 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.
- (b) Draft Scheme of Arrangement.
- (c) Such other information and explanations as we required and which have been provided by the Management, including management representations.

5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS, AND DISCLAIMERS

- 5.1. Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our report containing recommendation of fair share entitlement ratio for the Proposed Demerger is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.
- 5.2. This report has been prepared for the Board of Directors of the Demerged Company and of Resulting Company solely for the purpose of recommending a fair share entitlement ratio for the Proposed Demerger.
- 5.3. The report assumes that the Companies / Trading Business of the Demerged Company comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies / Trading Business of the Demerged Company will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations.
- 5.4. The draft of the present report was circulated to the management of the Companies (excluding the recommended fair share entitlement ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.



- 5.5. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies and / or its auditors / consultants, is that of the Management. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material information about the Companies / Trading Business of the Demerged Company. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our conclusions.
- 5.6. Our work does not constitute an audit, due diligence, or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Companies through broad inquiry, analysis, and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 5.7. This report 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 / Trading Business of the Demerged Company and any other matter, which may have an impact on the report including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Trading Business of the Demerged Company. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 5.8. We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 5.9. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation, and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Demerger.



- 5.10. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Companies / Trading Business of the Demerged Company 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.
- 5.11. The decision to carry out the Proposed Demerger (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Demerger.
- 5.12. Our report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to the National Company Law Tribunal /regulatory/statutory authority for obtaining requisite approvals. 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. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 5.13. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness, or completeness of the information, based on which this report is issued. We owe responsibility only to the Companies that has appointed us under the terms of the Engagement Letter. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions, or advice given by any other person. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or willful default on part of the client or companies, their directors, employees, or agents.

6. RECOMMENDATION OF SHARE ENTITLEMENT RATIO

Based on the discussion with the Management, the share entitlement ratio has been determined as follows:

- 6.1. As mentioned in Para 1.2 above, in consideration for the Proposed Demerger, Resulting Company would issue equity shares to the equity shareholders of the Demerged Company.



We understand that the Management have considered following parameters while arriving at the share entitlement ratio:

- i. All shareholders of the Demerged Company will get equity shares of the Resulting Company and become shareholders of the Resulting Company and participate in the Trading Business. The ratio of 1:1 will result in identical shareholding and thus, will be in the interest of all the shareholders. This will avoid complaints from shareholders who may not be allotted any shares otherwise in case a different ratio would have been adopted.
 - ii. No fractional entitlements will arise with this ratio.
 - iii. Easily comprehensible to the shareholders.
 - iv. Share entitlement ratio of 2:1 or any other share entitlement ratio which may result in allotment of more than 1 equity share of the Resulting Company for every 1 equity share of the Demerged Company, may increase the shareholding of the Resulting Company to a sub-optimal level as compared to the Demerged Company. Accordingly, in the opinion of the board of the Companies, equivalent number of equity shares so allotted to the shareholders of the Demerged Company in the Resulting Company will be an optimum equity share capital for the Resulting Company on the following grounds:
 - payment of dividend to shareholders in future;
 - raising of capital by the Resulting Company in future by issue of fresh shares; and
 - optimum per share price for ease of trading by the shareholders.
- 6.2. Accordingly, the Management has recommended the following share entitlement ratio in consideration for the Proposed Demerger i.e. demerger of Trading Business of the Demerged Company into Resulting Company:
- 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 the Demerged Company**
- We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of Demerged Company are and will, upon Proposed Demerger, be the ultimate beneficial owners of Resulting Company in the same ratio (inter se) as they hold shares in the Demerged Company.
- 6.3. As mentioned above, post the Proposed Demerger all the shareholders of the Demerged Company are and will be the ultimate beneficial owners of Resulting Company in the same



ratio (inter se) as they hold shares in the Demerged Company. Therefore, no relative valuation of Trading Business of the Demerged Company and of Resulting Company is required to be undertaken for the Proposed Demerger. Accordingly, valuation approaches as indicated in the format (as attached herewith as **Annexure I** to this report) as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not relevant in the instant case.

7. CONCLUSION

7.1. The share entitlement ratio in consideration for the Proposed Demerger as recommended by the Management is:

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 the Demerged Company

Based on our review, information made available to us and discussions with the Management, in our opinion, the aforementioned share entitlement ratio in consideration for the Proposed Demerger of Trading Business of the Demerged Company into Resulting Company is reasonable.

We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of the Demerged Company are and will, upon proposed demerger, be the ultimate beneficial owners of the Resulting Company in the same ratio (inter se) as they hold shares in the Demerged Company.

Thanking you,
Yours faithfully,

For SSPA & CO.

Chartered Accountants

ICAI Firm registration number: 128851W

IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

Parag S. Ved

Parag Ved

Partner

ICAI Membership No. 102432

IBBI Registered Valuer No.: IBBI/RV/06/2018/10092



UDIN: 23102432BGUANK7829

Place: Mumbai

For Demerger of 'Trading Business' of the Demerged Company into the Resulting Company

| Valuation Approach | Trading Business of the Demerged Company | | Resulting Company | |
|---------------------------------|--|--------|-----------------------|--------|
| | Value per share (INR) | Weight | Value per share (INR) | Weight |
| Asset Approach | NA | NA | NA | NA |
| Income Approach | NA | NA | NA | NA |
| Market Approach | NA | NA | NA | NA |
| Relative value per share | NA | | NA | |

NA = Not Adopted/ Not Applicable

