Annexure 3(a) - Valuation Report

Incwert
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Date: 29 June 2022

The Audit Committee/Board of Directors

HG Industries Limited
Panchalam Village,
Melpettai Post,
Tindivanam, Tamil Nadu
604307

The Audit Committee/Board of Directors

Greenlam Industries Limited,
203, 2nd Floor, West Wing, Worldmark 1,
Aerocity, IGI Airport,
Hospitality District, New Delhi,
110 037

Sub: Recommendation of Share Exchange Ratio pursuant to the Scheme of Arrangement presented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules and regulations made thereunder, for the amalgamation of HG Industries Limited with and into Greenlam Industries Limited

Dear Sir/Madam,

We refer to the Letter of Engagement dated 13 June 2022 whereby the management of HG Industries Limited (the "Transferor Company") and Greenlam Industries Limited (the "Transferee Company") (individually and collectively herein referred to as the "Client" or "You" or "the Company" or "the Companies" or "respective Companies", as the context may require) have appointed Incwert Advisory Private Limited ("Incwert" or "Valuer" or "Registered Valuer" or "RV" or "We" or "us") for recommending the share exchange ratio in connection with the proposed amalgamation of HG Industries Limited with and into Greenlam Industries Limited pursuant to the Scheme of Arrangement ("the Scheme")presented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules and regulations made thereunder.

Incwert is a Registered Valuer Entity with the Insolvency and Bankruptcy Board of India ("IBBI") for the asset class 'Securities or Financial Assets' having registration number IBBI/RV-E/05/2019/108.

The share exchange ratio (Share Exchange Ratio) in this report refers to the number of equity share(s) of the face value of Rs. 1 (Indian Rupees One) each credited as fully paid up in the share capital of Greenlam Industries Limited which would be issued to the equity shareholders of HG Industries Limited for every 1 equity share of the face value of Rs.5 (Indian Rupees Five) each of HG Industries Limited pursuant to the proposed Scheme of Arrangement.

For the purpose of this report, we have considered the valuation date to be 28 June 2022 ("Valuation Date").

At the request of the Management of the respective Companies, we have had discussions with the Merchant Banker/s (as appointed by the Client) on the valuation approach & methodologies adopted and assumptions made by us.

In the following paragraphs, we have summarised our valuation analysis together with the description of the valuation approaches, methodologies and limitations in our scope of work.

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1 CONTEXT AND PURPOSE OF THIS REPORT

1.1 Overview

1.1.1 The Transferor Company was incorporated on 11 December 1987 as Himalaya Granites Private Limited under the Companies Act, 1956. The Transferor Company's Corporate Identification Number is L20100TN1987PLC015161 and its registered office is situated at Panchalam Village, Melpettai Post, Tindivanam, Tamil Nadu – 604307. Subsequently, the Transferor Company was converted into a public limited company pursuant to a shareholders' resolution dated 28 February 1994, and a fresh certificate of incorporation was issued to the Transferor Company by the Registrar of Companies, Tamil Nadu at Chennai on 21 March 1994. Pursuant to the said conversion, the name of the Transferor Company was changed from Himalaya Granites Private Limited to Himalaya Granites Limited. The name of the Transferor Company was changed from Himalaya Granites Limited to HG Industries Limited on 2 July 2021 pursuant to a fresh certificate of incorporation issued by the Registrar of Companies, Chennai. On 13 December 2021, the Board of Directors of the Transferor Company passed a resolution approving, inter alia, shifting its registered office from the State of Tamil Nadu to the National Capital Territory of Delhi. The members of the Transferor Company approved this shifting of the registered office by passing a special resolution on 21 January 2022. Subsequently, the Transferor Company initiated the relevant process under the Act

1.1.2 The Transferee Company was incorporated on 12 August 2013 under the Companies Act, 1956. The Transferee Company's Corporate Identification Number is L21016DL2013PLC386045 and its registered office is situated at 203, 2nd Floor, West Wing, Worldmark 1, Aerocity, IGI Airport, Hospitality District, New Delhi,- 110 037.

1.1.3 We understand that the Transferor Company is in the process of setting up a manufacturing plant at Tindivanam, Tamil Nadu for manufacturing of plywood and allied products.

1.1.4 The Transferee Company is engaged in the business of, inter alia, manufacturing of laminates, decorative veneers, engineered wooden floorings, engineered wooden doors and allied products through its factories at a) Behror, Rajasthan and b) Nalagarh, Himachal Pradesh and is in the process of commencing manufacturing of laminates at its recently acquired plant at Prantij, Gujarat. The Transferee Company has branches and dealers' network spread all over the country and also exports its products to various countries overseas.

1.1.5 The Transferor Company is a subsidiary of the Transferee Company. The Transferor Company's equity shares are listed on the BSE Limited (BSE). The Transferee Company's equity shares are listed on the BSE and the National Stock Exchange of India Limited (NSE) (together, the Stock Exchanges). Further, the non-convertible debentures of the Transferee Company are listed on the NSE.

1.2 Context and purpose

1.2.1 We have been given to understand that pursuant to the Scheme, the management of the Companies ("Management") are contemplating the amalgamation of HG Industries Limited with and into Greenlam Industries Limited, the consequent dissolution of the Transferor Company without winding up and matters incidental thereto ("Proposed Transaction").

1.2.2 The Proposed Transaction would involve merging HG Industries Limited with and into Greenlam Industries Limited.

1.2.3 In this connection, the Management has appointed Incwert Advisory Private Limited to submit a report recommending the Share Exchange Ratio pursuant to the Proposed Transaction for

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the consideration of the Board of Directors (including audit committees and committee of independent directors, as applicable) of HG Industries Limited and Greenlam Industries Limited in accordance with the Companies Act, 2013 and other applicable rules and regulations thereof.

1.2.4 We understand that the appointed date for the proposed amalgamation as per the draft Scheme of Arrangement shall be 01 April 2022 or such other date as the Board of Directors of the Transferor Company or the Transferee Company may determine or as the Securities and Exchange Board of India, the Stock Exchanges or the Tribunal(s) may direct.

1.2.5 The scope of our service is to conduct a relative (and not absolute) valuation of the equity shares of the Transferor Company and the Transferee Company and report the fair Share Exchange Ratio for the Proposed Transaction in accordance with the internationally accepted valuation standards/International Valuation Standards.

2 BASIS OF VALUATION

2.1.1 In transactions of the nature of – merger or amalgamation of companies or merger or demerger of businesses, the consideration is often discharged primarily by issue of securities of the acquirer or transferee entity with reference to an exchange ratio or entitlement ratio, considering the relative values.

2.1.2 Such relative values are generally arrived at by applying an appropriate valuation approach or a combination of valuation approaches. If a combination of valuation approaches or methodologies is adopted, appropriate weights are assigned to arrive at a single value. Relative values are usually derived by using similar valuation approaches, methodologies and weights. However, the use of differing methodologies or approaches may be justified in circumstances, e.g., a merger of a listed company and an unlisted company, or where the listed company is infrequently traded.

2.1.3 As part of the valuation exercise, we have been provided with the audited financial results of the Companies for the year ended 31 March 2022. We have taken into consideration The current market parameters in our analysis and have made adjustments for additional facts made known towards the date of our Report. The Management has informed us that there are no unusual or abnormal events in the companies materially impacting their operating/financial performance after 31 March 2022 till the report date other than certain corporate events relating to the preferential issue of equity shares by the Transferee Company and purchase of manufacturing facilities of Bloom Dekor Limited by the Transferee Company. Further, we have been informed that all material information impacting the valuation has been disclosed to us. We have relied on such information while arriving at the Share Exchange Ratio for the Proposed Transaction.

2.1.4 In the event, that either of the Companies restructure their equity share capital by way of share split/ consolidation/ issue of bonus shares before the Proposed Transaction becomes effective, then the issue of shares pursuant to the Share Exchange Ratio recommended in this report shall be adjusted accordingly to take into account the effect of any such corporate actions.

2.2 Base of valuation

2.2.1 The base of valuation has been "Fair value".

2.2.2 The definition of "Fair value" as per International Valuation Standards, 2022 ("IVS") issued by the International Valuation Standards Council ("IVSC"), is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date

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2.2.3 Fair value is the price in an orderly transaction in the principal (or most advantageous) market at the valuation date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

2.2.4 Valuation approaches and methods selected duly consider the guidance in "IVS 105 Valuation Approaches and Methods" which defines the approaches and methods for valuing an asset and provides guidance on the use of various valuation approaches and methods.

2.3 Premise of value

2.3.1 The premise of value refers to the conditions and circumstances of how an asset is deployed. As part of our analysis, we have considered the following assumption to be appropriate:

- Going-concern basis - Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained workforce, an operational unit, the necessary licenses, and procedures in place etc.
- As-is-where-is basis - considers the current use of the asset which may or may not be its highest and best use.

2.4 Intended users

2.4.1 This report is intended for the consumption of the Board of Directors (including audit committees and committee of independent directors, as applicable) of the Companies and for the purpose of submission to the relevant regulatory or statutory authorities in India, including the National Company Law Tribunal, Regional Directors, Registrar of Companies, SEBI, Stock exchanges, and for complying with the applicable provisions of the Companies Act, 2013 and other applicable laws.

2.4.2 In the event, the Companies or Management of the Companies or representatives of the Company intend to extend the use of this report beyond the purpose mentioned herein above, with or without our consent, we will not accept any responsibility to any other party to whom our report may be shown or who may acquire a copy of the report issued by Incwert.

3 SOURCES OF INFORMATION

3.1.1 This Report is prepared based on the below sources of information as provided to us by the management of the Client:

a) Draft Scheme of Arrangement;
b) Audited consolidated and standalone financial results of Greenlam Industries Limited for the financial year ended 31 March 2022.
c) Audited financial results of HG Industries Limited for the financial year ended 31 March 2022;
d) ITR-6 of both the Companies for AY 2021-22
e) Projected financial statements for HG Industries Limited for eight years from 01 April 2022 to 31 March 2030;
f) Details of contingent liability as of 31 March 2022;
g) Following additional information concerning HG Industries Limited was supplied to us by the Management:
    - Detailed project report for setting up of the new manufacturing unit of plywood and allied products
    - Fair valuation of land and building dated 16 June 2022
    - Bank sanction letter relating to the various credit facilities and
    - Certified copies of the Board resolution approving the setting up of the manufacturing plant among others

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h) Other data and information provided by respective companies, as may be requested by us;
i) Discussions with the Management to obtain requisite explanation and clarification of data provided;
j) Interviews and correspondence with the respective company's management on which we have relied;

3.1.2 In addition to the above, we have obtained information from the public sources/ proprietary databases including analyst consensus numbers.

3.1.3 The management of the Companies were provided with an opportunity to review a draft of our Report *(excluding the valuation and recommended Share Entitlement and Exchange ratios)* as part of our standard practice to ensure that factual inaccuracies/omissions are avoided in our final report.

4 PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

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

- Requested and received financial and qualitative information
- Used data available in the public domain
  - Where available, published general market data, including economic, government and industry information which may affect the value of the businesses;
  - Where available, financial data for publicly traded or private companies engaged in the same or similar lines of business to develop appropriate multiples and operating comparisons as part of the market approach of valuation.
- Discussion (physical/ or over a phone call) with the Management to:
  - Understand the business and fundamental factors that affect its meaning-generating capability, including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
- Undertook Industry Analysis:
  - Research publicly available market data including economic factors and industry trends that may impact the valuation
  - Analysis of key trends and valuation multiples of comparable companies/comparable transactions using proprietary databases subscribed by us
- Selection of internationally accepted valuation methodologies as considered appropriate by us.

5 DISCLOSURE OF INTEREST/ CONFLICT AND OTHER AFFIRMATIVE STATEMENTS

5.1.1 We hereby certify that, to the best of my knowledge and belief that:

- We are not affiliated to the Client in any manner whatsoever.
- We do not have a prospective interest in the business, which is the subject of this Report.
- Details of services for the Client performed within a five-year period immediately preceding acceptance of this engagement, as an appraiser or in any other capacity – We have not provided any services to the Client.

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- Our fee is not contingent on an action or event resulting from the analyses, opinions or conclusions in this Report.

5.1.2 The information provided by the management has been appropriately analysed and reviewed in carrying out the valuation.

5.1.3 Sufficient time and information were provided to us to carry out the valuation.

6 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

6.1.1 Our work in preparing the Report was undertaken, and our Report has been produced in accordance with the terms of our engagement with the Transferor Company and the Transferee Company. Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, diligence services, or consulting/ tax-related services.

6.1.2 This Report, its contents and results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement along with subsequent discussions with the management; (ii) the date of this Report and (iii) are based on the data detailed in the section – Sources of information. We have been informed that the business activities of the Companies have been carried out in the normal and ordinary course between 31 March 2022 and the Valuation Date and that subject to the following corporate events no material changes have occurred in their respective operations and financial positions between 31 March 2022 and the Valuation Date:

- Disclosure about the purchase of laminate manufacturing facilities situated at Prantij, Gujarat from Bloom Dekor Limited by the Transferee Company vide execution of an asset purchase agreement dated 22 June 2022.
- Preferential issue of up to 63,10,680 equity shares of the Transferee Company at INR 309 per equity share aggregating to approximately INR 1,950 million, approved by the Board of Directors on 20 June 2022. This transaction is subject to approval of the shareholders of the Transferee Company for which the Transferee Company is taking necessary steps.

6.1.3 An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular, and the information made available to us.

6.1.4 For the valuation exercise, market parameters have been considered up to and including the Valuation Date. Events occurring after the date hereof 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.

6.1.5 Transferee Company being listed on the stock exchanges, the information relating to the future financial performance is considered by the Management of the Company to be price-sensitive and not made available to us. The financial forecasts of the Transferee Company used in the preparation of the Report reflect our judgment of the consensus view of the analysts and the management in the case of the Transferor Company, based on circumstances prevailing around the valuation date. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period almost always may differ from the forecasts and as such differences may be material.

6.1.6 For the purpose of this engagement and Report, we have made no investigation of, and assume no responsibility for, the title to the assets or liabilities against the respective Companies. Further, we have not carried out any physical verification of the assets and liabilities of the respective Companies. Our conclusion of value assumes that the title to the

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assets and liabilities of the respective companies reflected in their respective audited/provisional latest financial statements is intact as of the date of this Report. We take no responsibility for the identification of such assets and liabilities.

6.1.7 The final analysis will have to be tempered by the exercise of reasonable discretion by the valuer and judgement, considering all the relevant factors. There will always be several factors example given, management capability, present and prospective competition, the yield on comparable securities, and market sentiments among others, which are not evident from the face of the balance sheet but will strongly influence the worth of a share. This concept is well recognised in judicial decisions and pronouncements.

6.1.8 The recommendation rendered in this Report only represents our recommendation based upon information to date, furnished by the management of the Client and other sources. The said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation in this Report is not intended to advise anybody to take a buy or sell decision for which specific opinion needs to be taken from expert advisors. The Report does not constitute an offer or invitation to any section of the public to subscribe for or purchase any securities in, or the other business or assets or liabilities of the Companies.

6.1.9 The determination of a value 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 single undisputed valuation. While we have provided our recommendation of the Share Exchange Ratio based on the information made available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their assessment of the Proposed Transaction and input of other advisors.

6.1.10 Our work did not constitute an audit of the financial statements, and accordingly, we do not express any opinion on the truth and fairness of the financial position, as indicated in this Report. Our work did not constitute a validation of the financial statements of the companies/ businesses, and accordingly, we do not express any opinion on the same. Also, with respect to explanations and information sought from the management, we have been given to understand that the management has 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 provided by the management of the Client. Any omissions, inaccuracies or misstatements may materially impact our valuation analysis and outcome.

6.1.11 We do not imply, and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, that a more extensive examination might disclose. The Report assumes that the Companies comply fully with the relevant laws and regulations applicable in all its areas of operations unless otherwise stated and that the companies will be managed in a competent and responsible manner. Further, except as expressly stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of lawful title and compliance with local laws, litigations and other contingent liabilities that are not recorded in the audited/ unaudited balance sheet of the Companies.

6.1.12 This Report does not investigate the business / commercial reasons behind the Proposed Transaction nor the likely merits of such transaction. Similarly, it does not address the relative benefits of the Proposed Transaction as compared with any other alternative business transaction or other alternatives or whether such options could be achieved or are available.

6.1.13 This Report sets out our conclusions on a) relative valuation of relevant businesses as part of the amalgamation and b) Share Exchange Ratio and has been prepared in accordance with

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the letter on engagement. The Report will be used by the Client for purposes agreed upon in the letter of engagement.

6.1.14 We have based our analysis based on information provided to us by the Management and other information as stated under "Sources of Information". For our analysis, we have relied on published and secondary sources of data, whether or not provided by the Client. We have not independently verified the accuracy or timeliness of the same.

6.1.15 Any changes in the basis of preparation of financial statements of the Companies may significantly impact our analysis and therefore, the valuation.

6.1.16 The valuation does not consider findings made by other external agencies in carrying out the valuation analysis other than those which are made available by the Management of the Companies, for example, report on fair valuation of the land and building of the Transferor Company.

6.1.17 This Report is prepared on the basis of the sources of information listed in the above section. We have relied upon written representation provided by the Management that the information contained in the Report is materially accurate and complete, fair in its manner of portrayal and therefore, forms a reliable basis for the Valuation.

6.1.18 Neither the 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, without our prior written consent except for disclosures to be made to relevant regulatory/statutory authorities. We owe no duty (whether in contract or in tort or under statute or otherwise) with respect to or in connection with the attached Report or any part thereof to a party other than to the Board of Directors of the respective Companies. This report is not a substitute for the third party's own due diligence, appraisal, enquiries, and independent advice that the third party should undertake for his purpose.

6.1.19 It is understood that the analysis presented herein does not represent a fairness opinion on the Share Exchange Ratio. Any decision by the Client regarding whether to proceed with Proposed Transaction shall rest solely with the Client.

6.1.20 This Report is subject to the laws in India and should be used in connection with the proposed scheme.

6.1.21 The valuation analysis and results are governed by the concept of materiality.

6.1.22 This Report does not in any manner address the prices at which equity shares of the Companies or any other listed shareholder will trade after the announcement of the Proposed Transaction, and we express no opinion or recommendation as to how shareholders of the companies involved in the restructuring should vote at the shareholders' meeting(s) to be held in connection with the Proposed Transaction.

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7 SHAREHOLDING PATTERN OF THE COMPANIES

The issued and subscribed equity share capital of HG Industries Limited as on 24 June 2022 is INR 23.17 million consisting of 46,33,568 equity shares with the face value of INR 5/- each. The shareholding pattern is as follows:

Sr. no.	Category of shareholder	Number of Shares	Percentage holding
1	Promotor & Promoter Group	34,70,966	74.91%
2	Public	11,62,602	25.09%
	Total	46,33,568	100.00%

Source: Management information

The issued and subscribed equity share capital of Greenlam Industries Limited as on 24 June 2022 is INR 120.68 million consisting of 12,06,81,870 equity shares with the face value of INR 1/- each. The shareholding pattern is as follows:

Sr. no.	Category of shareholder	Number of Shares	Percentage holding
1	Promoter & Promoter Group	6,50,43,310	53.90%
2	Public	5,56,38,560	46.10%
	Total	12,06,81,870	100.00%

Note: As of the Valuation Date, there is no change in the authorized, issued, subscribed and paid-up share capital of the Transferee Company. However, the Board of Directors of the Transferee Company in their meeting held on 20 June 2022, have approved the issuance of up to 63,10,680 fully paid-up equity shares of the Transferee Company having a face value of Re. 1/- (Rupee One Only) each. The preferential issue is subject to the approval of shareholders of the Transferee Company.

Source: Management information

8 APPROACH & METHODOLOGY

8.1.1 The Scheme contemplates the amalgamation of HG Industries Limited into and with Greenlam Industries Limited. Arriving at the fair Share Exchange Ratio for the Proposed Transaction would require determining the relative value of equity shares of HG Industries Limited and Greenlam Industries Limited. These values are to be determined independently, but on a relative basis for the respective Companies, without considering the effect of the proposed amalgamation.

8.1.2 Our choice of approach and methodology for the valuation has been arrived at using usual and conventional approaches and methodologies adopted for mergers, and are reasonable judgement in an independent and bona fide manner.

8.2 Valuation approach and methodologies

8.2.1 The standard of value used in our analysis is fair value, which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

8.2.2 There are several commonly used and internationally accepted methods for determining the fair value of companies, which have been considered in the present case, to the extent relevant

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and applicable. Due cognizance and consideration have been given to International Valuation Standards, 2022 ("IVS") Valuation Approaches and Methods in valuing the Transferor Company and Transferee Company.

8.2.3 It should be understood that the valuation of any company or its assets is inherently subjective 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 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 respective Company, and other factors which generally influence the valuation analysis.

8.2.4 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 the methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner is based on our previous experience of assignments of a similar nature.

8.2.5 There are several commonly used and accepted methods for determining the value and the Share Exchange Ratio which have been considered in the present case, to the extent relevant and applicable, including:

a) Market Approach:

- Market Price method
- Comparable Companies Multiples
- Comparable Transaction Multiple Method

b) Income Approach: Discounted Cash Flows Method
c) Cost Approach: Net Asset Value Method

8.2.6 As discussed below for the Proposed Transaction, we have considered these methods to the extent relevant and applicable.

8.2.7 This valuation could fluctuate with the lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise of the Companies, and other factors which generally influence the valuation of companies and their assets.

8.2.8 We have relied on the judgment of the Management as regards contingent and other liabilities.

8.2.9 The valuation methodologies, as may be applicable, which have been used to arrive at the value of the Companies are discussed hereunder.

8.3 Market Price (MP) Method

8.3.1 The market price of an equity share as quoted on a Stock Exchange is generally 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 merger, where there is a question of evaluating the share price of one company against that 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.

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8.3.2 The equity shares of Greenlam Industries Limited are listed on NSE and BSE and are traded frequently with higher trading volume in NSE in comparison to BSE hence, the share prices observed on the NSE over a reasonable period have been considered for arriving at the value per equity share of the Transferee Company under the Market Prices method. For arriving at the market price, we have considered the volume-weighted price on the stock exchanges over a reasonable period including upto 28 June 2022 (Valuation Date), i.e. the trading day immediately prior to the date on which the Scheme is placed before the Audit Committee of the respective Companies for their consideration.

8.3.3 The equity shares of HG Industries Limited are listed on BSE and traded frequently but under the graded surveillance measure (GSM) 4 category. Considering the restrictions that GSM puts on the trading of the shares, we have not considered this method for the Transferor Company.

8.4 Comparable Companies Market Multiple ("CCM") Method

8.4.1 Under this method, the value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as apparent through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant for the assessment of the value of the company.

8.4.2 Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. In identifying the comparable companies, the business description and various operating metrics are to be analysed.

8.4.3 In the present valuation analysis, we carried out research on comparable companies listed in India. We have used enterprise value to revenue multiple for arriving at the value per equity share of the Companies.

8.4.4 HG Industries Limited is adding a new project for the manufacturing of plywood. Management expects the commercial production to commence from Q4 of FY23. As such, for valuing the company, stable forward period revenue has been discounted using a risk-adjusted rate for arriving at the value.

8.5 Comparable Companies Transaction Multiple (CTM) Method

8.5.1 Under the CTM method, the value of the equity shares of a company is arrived at by using the prices implied by reported transactions/ deals of comparable companies.

8.5.2 Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. A version of the CTM includes deriving the value of the company from a transaction involving the company's own securities, with appropriate adjustments as necessary.

8.5.3 We have not used comparable transactions multiples to value the Companies due to the lack of availability of similar transactions along with complete data relating to premiums/discounts involved in such transactions which have taken place in the last 12-24 months.

8.5.4 The Board of Directors of the Transferee Company approved issuance of up to 63,10,680 equity shares to certain qualified institutional buyer on a preferential basis at INR 309 per equity share on 20 June 2022. The total size of the preferential issue is approximately INR 1,950 million. Based on reasoned judgement, we consider it appropriate to benchmark the value of the Transferee Company by also using the price of recent preferential issue as approved by the Board of Directors.

8.5.5 We understand that The Transferee Company had executed a share purchase agreement in August 2021 to acquire c.74.91 per cent of the equity share capital of the Transferor Company at INR 40.11 per equity share, which was followed by an open offer to acquire the remaining

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c. 25.09 per cent of the equity share capital of the Transferor Company at INR 41.0 per equity share. The shares of Transferor Company were not frequently traded then, and valuation was arrived at using other customary parameters.

8.5.6 We view that the last transaction price in own shares of the Transferor Company may not be very relevant considering that the company is currently in the process of setting up a new manufacturing unit of plywood and allied products in Tindivanam, Tamil Nadu, wherein the valuation of the company can obtain support from assumption on future income and cash flows.

8.6 Discounted Cash Flows (DCF) Method

8.6.1 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 ("Enterprise Value" or "EV").

8.6.2 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 is 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:

8.6.3 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.

8.6.4 The value so computed by discounting the cash flows to the firm is adjusted for net borrowings, surplus assets including investments, minority or non-controlling interests, equity instruments granted as part of the share-based payment, and other matters to arrive at an aggregate equity value of the company.

8.6.5 Per management, the information relating to the future financial performance of Greenlam Industries Limited is price sensitive and as such not made available to us. We have used the analysts' forecasts available with some of the proprietary databases or supplied to us by the Management along with suitable qualitative factors to determine the value under the DCF method. For HG Industries Limited, a high-level business plan has been made available to us, which has been used to arrive at the value herein. As part of our analysis, we have suitably limited the base cash flow projections to three years considering that there is limited past actual outcome to test the reasonableness of assumptions for a longer period.

8.7 Net Asset Value (NAV) Method

8.7.1 The asset-based valuation technique is based on the value of the underlying net assets of the business either on a book value basis or realisable value basis or replacement cost basis. The cost approach assumes that a prudent investor would pay no more for an entity than the amount for which he could replace or re-create it or an asset with similar utility. Under a going-concern premise, the cost approach usually is best suited for valuing asset-intensive companies, such as investment or real estate holding companies, or companies with unstable or unpredictable earnings.

8.7.2 The Scheme of Arrangement would normally be proceeded with on the assumption that the companies being part of the amalgamating process are going concerns and an actual realisation of their operating assets is not contemplated. Hence, we have considered it appropriate to not provide any weightage to the NAV method.

HG INDUSTRIES LIMITED

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9 BASIS OF VALUATION AND SHARE EXCHANGE RATIO

9.1.1 The premise of arriving at the valuation and Share Exchange Ratio for the Proposed Transaction would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. The valuations and Share Exchange Ratio are based on the various methods explained herein earlier and various qualitative factors, business dynamics and growth potentials of the relevant company, having regard to the information base, critical underlying assumptions and limitations. It is, however, important to note that in doing so we are not attempting to arrive at the absolute equity values of the companies but at their relative values to facilitate the determination of a fair Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

9.1.2 While we have provided our recommendation of the fair equity Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the fair equity Share Exchange Ratio. The final responsibility for the determination of the exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the respective Companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.

9.1.3 As considered appropriate, we have applied methodologies within the approaches discussed above and arrived at an assessment of the value of the companies forming a part of the amalgamation for computation of the Share Exchange Ratio. To arrive at the consensus on the Share Exchange Ratio, suitable minor adjustments/ rounding off have been done in the relative values arrived at by us.

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10 CONCLUSION

10.1.1 Based on the foregoing, and after considering the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following equity Share Exchange Ratio for the proposed amalgamation of HG Industries Limited with and into Greenlam Industries Limited:

1 (one) equity shares of the face value of INR 1/- (Rupee One) each credited as fully paid up in the share capital of Greenlam Industries Limited for every 2 (two) fully paid-up equity shares of the face value of Rs. 5/- (Rupees Five) each held in HG Industries Limited

Respectfully submitted,
For Incwert Advisory Private Limited
Registered Valuer Entity under Companies (Registered Valuers and Valuation) Rules, 2017
IBBI Registration No. IBBI/RV-E/05/2019/108
Asset class: Securities or Financial Assets

Punit Khandelwal
Director
Registered Valuer under Companies (Registered Valuers and Valuation) Rules, 2017
IBBI Registration No. IBBI/RV/05/2019/11375
Asset class: Securities or Financial Assets

HG INDUSTRIES LIMITED

APPENDIX – 1

The computation of Merger Share Exchange Ratio for amalgamation of HG Industries Limited with and into Greenlam Industries Limited is computed as below:

Valuation approach	HG Industries Limited (A)		Greenlam Industries Limited (B)	
	Value per share (in INR)	Weight	Value per share (in INR)	Weight
Income Approach - DCF method (i)	150.5	33.3%	331.9	33.3%
Market Approach				
- Market price method (ii)	NA	NA	316.6	22.2%
- Comparable Companies' Multiple method (iii)	163.2	66.7%	304.1	22.2%
- Recent transaction price method (iv)	NA	NA	309.0	22.2%
Cost Approach - Net asset value method	NA	NA	NA	NA
Relative value per share (weighted average of (i), (ii), (iii) and (iv)	159.0		317.2	
Share Exchange Ratio (rounded) (A/B)	0.50			

NA = Not applicable/adopted
NM = Not meaningful

a) Market price method is not considered for HG Industries Limited as its equity shares are traded frequently but under the graded surveillance measure (GSM) 4 category. Considering the restrictions that GSM puts on the trading of the shares, we considered it appropriate to not assign weights to this method for the Transferor Company.
b) Recent transaction price method is not used in valuing the Transferor Company since the last transaction price in own shares of the Transferor Company may not be very relevant considering that the company is currently in the process of setting up a new manufacturing unit of plywood and allied products in Tindivanam, Tamil Nadu, wherein the valuation of the company can obtain support from the assumption on future income and cash flows.
c) Cost approach – Net asset value method is not considered to value both the Companies considering the Scheme would normally be proceeded with on the assumption that the Companies being part of the amalgamating process are going concerns and an actual realisation of their operating assets is not contemplated.

**********End of report**********

HG INDUSTRIES LIMITED

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Annexure 3(b) — No material events & No past defaults.

HG INDUSTRIES LIMITED
(Formerly Himalaya Granites Limited)

July 07, 2022

To,
The General Manager,
Department of Corporate Services,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai – 400001

Dear Sir,

Sub: Application under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 with respect to the proposed Scheme of Arrangement between HG Industries Limited *(formerly Himalaya Granites Limited)* (the "Company" or "Transferor Company") and Greenlam Industries Limited ("Transferee Company") and their respective shareholders and all concerned for the amalgamation of the Transferor Company with and into the Transferee Company ("Scheme")

This is with regards to the proposed Scheme of Arrangement as approved by the Board of Directors at their Meeting held on June 30, 2022, between the Company and the Transferee Company and their respective shareholders and all concerned under Section 230 to 232 of the Companies Act, 2013 for the amalgamation of the Transferor Company with and into the Transferee Company, in this connection, with respect to the above application, we hereby confirm that:

a) No material event impacting the valuation has occurred, during the intervening period of filing the scheme documents with the Stock Exchange and period under consideration for valuation i.e. since June 28, 2022.

b) There have not been any past defaults of listed debt obligations, of the Transferor Company and the Transferee Company which forms part of the scheme.

Thanking You,
Yours faithfully,
For **HG INDUSTRIES LIMITED**

HARIOM PANDEY
COMPANY SECRETARY

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