



**REPORT ON THE RECOMMENDATION OF RATIO FOR THE ISSUE OF  
EQUITY SHARES OF RESULTING COMPANY TO SHAREHOLDERS OF  
DEMERGED COMPANY IN CONSIDERATION OF DEMERGER OF  
DECORATIVE BUSINESS OF DEMERGED COMPANY**

1. BACKGROUND

- 1.1 Demerged Company (hereinafter referred to as "Greenply Industries Limited") is a public limited company incorporated under the provisions of the Companies Act 1956 and having its registered office at Makum Road, Tinsukia, Assam - 786 125. Equity shares of Demerged Company are listed on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). Demerged Company is engaged in the business of manufacturing and marketing of a wide range of interior infrastructure and surface finish products including plywood, laminates, veneers, Medium Density Fibreboard ("MDF") and their allied products.
- 1.2 The Management of Demerged Company is considering demerger of its Decorative Business (hereinafter referred to as "Demerged Undertaking") into Resulting Company (hereinafter referred to as "Greenlam Industries Limited") a wholly owned subsidiary of Demerged Company.
- 1.3 Demerged undertaking is defined in the Composite Scheme of Arrangement referred to below. It is reproduced in Annexure I of this report.
- 1.4 The demerger is to be structured through a composite scheme of arrangement under Sections 100 to 104 and 391 to 394 of the Companies Act, 1956 ('the Scheme'). Under the Scheme, the Demerged Undertaking will be transferred to Resulting Company. We are also informed that the demerger will be in accordance with provisions of Section 2(19AA) of Income Tax Act, 1961 whereby the transaction will be carried out at book value.
- 1.5 We have been informed that the appointed date for the demerger is 1<sup>st</sup> April, 2013 or such other date as the Hon'ble High Court may direct.
- 1.6 In this regard, we have been requested to recommend a ratio for issue of equity shares of Resulting Company to shareholders of Demerged Company in consideration of demerger of Demerged Undertaking into Resulting Company.

2. SOURCES OF INFORMATION AND ANALYSIS

- 2.1 For the purpose of this exercise, the following sources of information and analysis was relied upon:
- a) Audited financial statements of Demerged Company for the financial year ending/ as at 31<sup>st</sup> March, 2013 (close of business hours);




- b) Audited financial statements of Resulting Company for the financial year ending/ as at 25<sup>th</sup> September, 2013(close of business hours)
- c) Dividend payout history of the Demerged Company
- d) Pro forma Balance Sheet as at 31st March, 2013 and Profit and Loss Statement for the year ending on that date of the Demerged Company and Resulting Company post effectiveness of the scheme

### 3. RECOMMENDED RATIO

- 3.1 A ratio of one fully paid-up equity share (face value of Rs 5/- each) of Resulting Company has been recommended for every one existing fully paid equity shares (face value of Rs 5/- each) of Demerged Company in consideration of the demerger.
- 3.2 Taking into consideration the dividend payout history of Greenply Industries Ltd, post scheme Debt-Equity ratio and profitability of the respective companies and other parameters post effectiveness of the scheme, one can reasonably expect that the Demerged Company and the Resulting Company together shall be able to maintain similar equity servicing levels as maintained by Greenply Industries Limited earlier.
- 3.3 The demerger of Decorative Business will be as per requirement of Section 2(19AA) of the Income tax Act, 1961. Accordingly, Greenply Industries Limited will transfer the assets and liabilities of Decorative Business to Greenlam Industries Limited at its book value as appearing in the books of Greenply Industries Limited. The shareholders of Greenply Industries Limited would be entitled to shares of Greenlam Industries Limited in the same proportion which they currently own in Greenply Industries Limited.
- 3.4 We believe that the above ratio is reasonable considering that Greenlam Industries Limited is a 100% subsidiary of Greenply Industries Limited prior to the proposed demerger, the pre scheme outstanding equity capital of the Resulting Company shall be cancelled and the shareholders of Greenply Industries Limited shall hold shares in Greenlam Industries Limited in the same proportion as in Greenply Industries Limited and hence the proposed demerger of Decorative Business of Greenply Industries Limited into Greenlam Industries Limited will be value-neutral to Greenply Industries Limited and its shareholders.
- 3.5 This report has been prepared for the Board of Directors of Demerged Company solely for the purpose of recommending ratio for issue of equity shares of Resulting Company to shareholders of Demerged Company in consideration of demerger of Decorative Business.

**For S. P Shaw & Co**  
**Chartered Accountants**

  
**(S.P. Shaw)**  
**Proprietor**  
**(M. No. 51927)**



**Dated: 30<sup>th</sup> September, 2013**

## Annexure I

### Demerged Undertaking Definition

“**Demerged Undertaking**” means the whole business operations of Decorative Business of Greenply:

Without prejudice to the generality of the foregoing, the Demerged Undertaking shall mean and include all property, rights and powers and all debts, liabilities, duties and obligations of Greenply (*as defined hereinafter*) comprised in and/or pertaining to the Demerged Undertaking as on the Appointed Date, including:

- (a) All properties and assets, moveable and immovable, freehold and leasehold, real and personal, corporeal and incorporeal, in possession, or in reversion, present and contingent of whatsoever nature, wheresoever situated, as on the Appointed Date relating to the Demerged Undertaking, all other lands, buildings, commercial and residential flats and offices, plant and machinery, electrical installations, vehicles, equipment, furniture, computers, computer programmes, software, investments, sundry debtors, inventories, cash and bank balances, bills of exchange, deposits, loans and advances and other assets as appearing in the books of account of Greenply in relation to the Demerged Undertaking;
- (b) Leases, tenancies and agencies of Greenply pertaining to the Demerged Undertaking, and all other interests or rights in or arising out of or relating to the Demerged Undertaking together with all respective powers, interests, charges, privileges, benefits, entitlements, industrial and other licenses, registrations, quotas, information technology, patents, copyrights, trademarks, brand names, websites, other intellectual property rights, liberties, easements and advantages, subsidies, grants, taxes, share of advance tax and MAT credits (including but not limited to credits in respect of sales tax, value added tax, turnover tax, excise duty, service tax, and other indirect taxes), deferred tax benefits and other benefits appertaining to the Demerged Undertaking and/or to which Greenply is entitled to in respect of the Demerged Undertaking of whatsoever kind, nature or description held, applied for or as may be obtained thereafter;
- (c) Right to use and avail of telephones, telefaxes, facsimile connections and installations, utilities, electricity and other services, provisions, funds, benefit of all agreements, contracts and arrangements and all other interests in connection with or relating to the Demerged Undertaking;
- (d) All earnest money and/or security deposits paid by Greenply in connection with or relating to the Demerged Undertaking;
- (e) The benefit of all respective contracts and engagements and all respective books, papers, documents computer programs, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information and records relating to the Demerged Undertaking;



- (f) All debts, liabilities, duties and obligations of Greenply in relation to the Demerged Undertaking as appearing in the books of account of Greenply as on the Appointed Date, including liabilities on account of secured loans, unsecured loans, and sundry creditors and bonus, gratuity, and other employee benefits pertaining to the Demerged Undertaking;
- (g) All contracts, deeds, bonds, agreements and other instruments, of whatsoever nature and pertaining to the Demerged Undertaking to which Greenply is a party, subsisting or having effect immediately on the Appointed Date;
- (h) All legal proceedings of whatsoever nature by or against Greenply pending on the Appointed Date and relating to the Demerged Undertaking (including property, rights, powers, liabilities, obligations and duties); and
- (i) All employees of Greenply engaged in or in relation to the Demerged Undertaking as on the Effective Date.

