

Walker Chandiook & Co LLP

STRICTLY PRIVATE & CONFIDENTIAL

Date: 09 January 2018

To

The Company Secretary
Pennar Industries Limited
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Sub: Notes to Information on Annexure 3 and Annexure 4 of the report for recommendation of Share Exchange Ratio for the proposed amalgamation of Pennar Engineered Building Systems Limited ("PEBS") and Pennar Enviro Limited ("PEL") into Pennar Industries Limited ("PIL").

Dear Sir,

This refers to the Circular bearing reference No. LIST/COMP/02/2017-18 issued by the BSE Limited ("BSE") and your email dated January 8, 2018 whereby you have requested us to provide the reason for not using certain methods of Valuation for arriving at the Share Exchange Ratio recommended in the Valuation Report dated November 09, 2017 for the proposed amalgamation of the PEBS and PEL into PIL (the "Report"), issued by Walker Chandiook & Co LLP ("We" or "WCC") as Notes to information provided in Annexure 3 and Annexure 4 of the Report.



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Walker ChandioK &Co LLP

In this regard, the Notes to Information provided in Annexure 3 and Annexure 4 of the Report has been reproduced this letter under Annexure 1 and Annexure 2 respectively. The explanations enclosed therein are prepared solely for the purpose of submission to BSE Limited and other relevant regulatory authorities as required. The same should be read in conjunction with the Report and the caveats therein. Further, none of its contents may be reproduced or circulated to any person or for any purpose other than as mentioned above without the prior consent of WCC.

Thanking you.

Yours faithfully,

Walker ChandioK & Co LLP
Chartered Accountants
ICAI Firm Registration Number:
001076N/ N500013



Himesh Contractor

Partner

Membership No: 41456

Date: 09 January 2018



Annexure 1: Notes to Information on Annexure 3 of the Report

Valuation Approach	PIL		PEBS	
	INR	Weight (%)	INR	Weight (%)
Asset Approach	NA ¹	0%	NA ¹	0%
Market Approach				
Market Price Method	72.0	50%	116.4	50%
Comparable Companies Method	NA ²	0%	NA ²	0%
Income Approach	74.6	50%	143.5	50%
Relative Value Per Share*	73.3	100%	130.0	100%

*face value per share of INR 5 for PIL and INR 10 for PEBS

NA = Not Adopted / Not Applicable

1 The asset approach is mainly used where the "Going Concern" assumption is not appropriate or where the asset base dominates the earnings capability. Since PIL and PEBS are operating entities and have been valued on a "Going Concern" basis, the asset approach has not been adopted.

2 Under the Market Approach, where companies involved in swap ratio are listed and there aren't any closely comparable companies, Market Price method is used and where the companies are unlisted, Comparable Companies method is used. Hence, for PIL & PEBS, since they are listed on stock exchanges and there aren't any closely comparable companies, Market Price Method has been used and Comparable Companies method has not been used.

Share Exchange Ratio

23 (Twenty Three) equity shares of PIL (of INR 5/- each fully paid up) for 13 (Thirteen) equity shares held in PEBS (of INR 10/- each fully paid up) on amalgamation of PEBS into PIL



Annexure 2: Notes to Information on Annexure 4 of the Report

Valuation Approach	PIL		PEL	
	INR	Weight (%)	INR	Weight (%)
Asset Approach	NA ¹	0%	NA ¹	0%
Market Approach				
Market Price Method	72.0	50%	NA ²	0%
Comparable Companies Method	NA ²	0%	70.4	50%
Income Approach	74.6	50%	78.0	50%
Relative Value Per Share*	73.3	100%	74.2	100%

*face value per share of INR 5 for PIL and INR 10 for PEL

NA = Not Adopted / Not Applicable

1 The asset approach is mainly used where the "Going Concern" assumption is not appropriate or where the asset base dominates the earnings capability. Since PIL and PEL are operating entities and have been valued on a "Going Concern" basis, the asset approach has not been adopted.

2 Under the Market Approach, where companies involved in swap ratio are listed and there aren't any closely comparable companies, Market Price Method is used and where the companies are unlisted, Comparable Companies method is used. The equity shares of PEL are not listed on any stock exchange. Accordingly, the market price methodology could not be used for PEL. However, Comparable Companies method has been used for PEL. Further, as the equity shares of PIL are listed on stock exchanges and there aren't any closely comparable companies, Comparable Companies method has not been used for PIL. However, Market Price method has been used for PIL.

Share Exchange Ratio

1 (One) equity share of PIL (of INR 5/- each fully paid up) for every 1 (One) equity share held in PEL (of INR 10/- each fully paid up) on amalgamation of PEL into PIL.

