

GHCL Limited



REPORT OF AUDIT COMMITTEE OF GHCL LIMITED RECOMMENDING DRAFT SCHEME OF ARRANGEMENT OF GHCL LIMITED AND RESULTING COMPANY (TO BE INCORPORATED) ISSUED AT THE MEETING OF THE AUDIT COMMITTEE HELD ON MARCH 16, 2020 AT HOTEL TAJ MAHAL, MANSINGH ROAD, NEW DELHI, COMMENCED AT 1 P.M.

Members present in person:

1. Dr. Manoj Vaish – Chairman (Independent Director);
2. Mrs Vijaylaxmi Joshi – Member (Independent Director);
3. Justice Ravindra Singh – Member (Independent Director); and
4. Mr. A K Jain - Member (Independent Director)

In attendance:

1. Mr. Raman Chopra – CFO & Executive Director (Finance)
2. Mr. Bhuneshwar Mishra – Sr. GM & Company Secretary

1. Background

The draft Scheme of Arrangement consisting of demerger of the Textiles Business of GHCL Limited into its Wholly Owned Subsidiary (*To Be Incorporated*) ('**Resulting Company**' or '**WOS**') and their respective shareholders and creditors (hereinafter referred to as "**Scheme**") was placed before the audit committee at the meeting held on March 16, 2020.

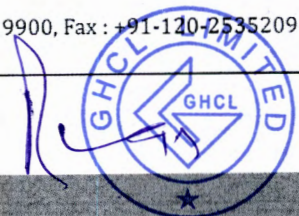
The Resulting Company is to be incorporated as the wholly owned subsidiary of GHCL Limited.

The Scheme of Arrangement consisting of demerger of Textiles Business has been placed before the Audit Committee for its recommendation:

2. Rationale of the proposed Scheme of Arrangement:

The audit Committee noted that the Scheme of Arrangement will inter-alia result in:

- **Segregation of Businesses:** Each of the business segments (i.e. Chemicals Business and Textiles Business) of GHCL Ltd. represents independent business divisions of GHCL Ltd. These businesses have evolved within the company and



are presently at different stages of maturity with differing risk and return profiles and capital and operational requirements. The management believes that the nature of offerings and the risk and return profile of the Textiles business (i.e. "**Demerged Business**") is very different from that of the other business of GHCL Ltd., i.e., Chemicals business. Thus, the scheme will help in segregating different businesses having different risk and return profiles, thus providing investors with better flexibility to select investments which best suit their investment strategies and risk profile.

- **Focused growth strategy:** The scheme will allow the management to have a focused growth strategy for each of the businesses.
- **Investment opportunity:** The management of GHCL Limited believes that there may be a segment of investors who may wish to invest only in the Textiles business or Chemicals business. These investors are presently deprived of the opportunity of investing in only a Textiles business or Chemicals business, and the implementation of the scheme will provide them with this opportunity.
- **Unlocking value:** The proposed demerger of the Textiles Business of GHCL Limited will unlock value for its existing shareholders.

3. **The salient features of the Scheme are as follows:**

- The "**Appointed Date**" shall mean the Effective Date;
- The "**Effective Date**" means the date or last of the dates on which certified copies of the order of the NCLT sanctioning the scheme are filed by the Demerged Company and the Resulting Company with the registrar of companies;
- Based on the Share Entitlement Report(s) dated March 16, 2020 issued by N S Kumar & Co., Independent Chartered Accountant (Firm Registration No. 139792W), and Mr. Niranjan Kumar, Registered Valuer (IBBI Registration No - IBBI/RV/06/2018/10137) dated March 16, 2020, appointed for the purpose of the arrangement as prescribed in Para I(A)(4) of Annexure 1 of the SEBI Circular No. CFD/DIL3/CIR/ 2017/ 21 dated March 10, 2017, the following share exchange ratio is proposed:

"1 (One) equity share of the Resulting Company of face value of INR 2 each fully paid up shall be issued for every 1 (One) equity share of INR 10 each fully paid up held in the Demerged Company (i.e. GHCL)"

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- The Fairness Opinion confirmed that the share exchange ratio in the Share Entitlement Report is fair to the Demerged Company and the Resulting Company and their respective shareholders.
- Further, S.R. Batliboi & Co. LLP, Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme are in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.
- Upon the Scheme becoming effective, the share capital of the Resulting Company, as held by GHCL Limited, shall be cancelled and extinguished without any further act, deed or instrument as an integral part of this Scheme.

4. Recommendation of the Audit Committee

After consideration of the draft Scheme, the members of the Audit Committee formed an opinion that the implementation of the proposed Scheme of Arrangement involving Demerger of Textiles Business is in the interest of the Company and its shareholders, creditors and other stakeholders.

The Audit Committee hereby approves and recommends the draft scheme for favorable consideration by the board of directors, Stock Exchange(s), SEBI and other appropriate authorities.

For and on behalf of Audit
Committee of GHCL Limited



Dr. Manoj Vaish
(Chairman of Audit Committee)

Place: New Delhi
Dated: March 16, 2020

