

**S.R. BATLIBOI & Co. LLP**

Chartered Accountants

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 Golf View Corporate Tower -B  
 Sector - 42, Sector Road  
 Gurugram -122002, Haryana, India  
 Tel: +91 124 681 6000

The Board of Directors  
 GHCL Limited  
 GHCL House, Opp. Punjabi Hall,  
 Navrangpura Ahmedabad,  
 Gujarat - 380009, India

**Subject: Statutory auditor's Independent report to examine and report on compliance of accounting treatment mentioned in clause 7.1 of the "Draft Scheme of Arrangement" with applicable accounting standards prescribed under section 133 of the Companies Act 2013 read with Companies (Accounts) Rules, 2015, as amended, in respect of Scheme of Arrangement between GHCL Limited and GHCL Textiles Limited and their respective Shareholders and Creditors.**

1. This Certificate is issued in accordance with the terms of our service scope letter date January 18, 2019 and master engagement agreement dated July 28, 2017 with the GHCL Limited (the "Company" or "Demerged Company") pursuant to the requirements of circulars issued under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for onwards submission to the Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and other regulatory authorities. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company.
2. At the request of the Management of GHCL Limited, we have examined the proposed accounting treatment in the books of the Demerged Company specified in Clause 7.1 of the draft Scheme of Arrangement (the "Scheme") between the Company and GHCL Textiles Limited ("Resulting Company"), companies incorporated in India under the provisions of the Companies Act, 1956/2013 (as applicable) and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013 (hereinafter referred to as the "Scheme") to confirm whether it is in compliance with the applicable Accounting Standards notified under the Companies Act 2013, Companies (Accounts) Rules 2015, as amended and Other Generally Accepted Accounting Principles ('Applicable Accounting Standards').
3. The attached Scheme (in Annexure A), is prepared by the Company which is required to be submitted by the Company to the National Company Law Tribunal ("NCLT") constituted under the Act and initialled by us for identification purposes.

**Managements' Responsibility**

4. The responsibility for the preparation of the Scheme and ensuring its compliance with the relevant laws and regulations, including the applicable Accounting Standards as aforesaid and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is that of the Board of Directors of the Companies involved in the Scheme. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Scheme.

**Auditor's Responsibility**

5. Pursuant to the requirements of Act, our responsibility is to express reasonable assurance in the form of an opinion that:
  - a) The proposed accounting treatment in the books of the Demerged Company specified in clause 7.1 of the Scheme is in compliance with the Applicable Accounting Standards and other generally accepted accounting principles in India.
6. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the reporting criteria. Accordingly, we have performed the following procedures in relation to the Certificate:
  - a) Read the proposed accounting treatment in the books of Demerged company specified in Clause 7.1 of the Scheme and obtained other necessary information and explanations from the management.
  - b) Validated the accounting treatment as described in Clause 7.1 of the aforesaid Scheme with accounting treatment as prescribed under Accounting Standards prescribed under section 133 of



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**S.R. BATLIBOI & CO. LLP**

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the Companies Act, 2013 read with Companies (Accounts) Rules, 2015 (as amended) and Other Generally Accepted Accounting Principles.

7. Our examination did not extend to any aspects of a legal or propriety nature covered in clause 7.1 of the Scheme.
8. We performed procedures in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

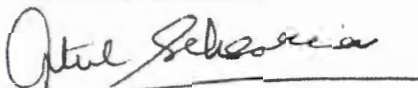
**Opinion**

10. Read with paragraph 5 above and based on procedures performed by us mentioned in para 6 above, and according to the information and explanations given to us, we report that the accounting treatment in the books of the Demerged Company contained in clause 7.1 of the Scheme (refer Annexure A) is in compliance with all the applicable accounting standards notified by the Central Government under section 133 of the Act, Companies (Accounts) Rules, 2015 (as amended).

**Restriction on Use**

11. This certificate has been prepared at the request of the Company solely for the purpose to comply with the requirements of the provisions of sections 230 to 232 and other applicable provisions of the Companies Act, 2013 for onward submission to the National Company Law Tribunal, BSE and NSE and other regulatory authorities in connection with the Scheme of Arrangements as referred to in paragraph 1 of the certificate. It should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing.

For S.R. Batliboi & Co LLP  
Firm Registration Number: 301003E/E300005  
Chartered Accountants



per Atul Seksaria  
Partner  
Membership No. 086370  
UDIN: 20086370AAAACB3611  
Place: Gurugram  
Date: July 4, 2020



**Enclosed:** Extract of proposed accounting treatment specified in clause 7.1 of the Scheme

**Annexure .1**

**7. ACCOUNTING TREATMENT**

**7.1 In the books of the Demerged Company:**

On the Scheme becoming effective, the Demerged Company shall account for the Scheme in its books of accounts with effect from the Effective Date in accordance Appendix A of Ind AS 10 'Distribution of Non Cash Assets to Owners prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as may be amended from time to time. Accordingly, the Demerged Company shall provide the following accounting treatment in its books of accounts:

- 7.1.1. Recognise liability for Distribution of Non Cash Assets to owners as dividend, to the extent of fair value of the Textiles Business, would be recognised with a corresponding debit to the Other equity (to the extent of distributable profits after considering the effect of Para 7.1.3), solely to meet the requirements of Ind-AS notified under Section 133 of the Act. The liability is subject to review at each reporting date and at the date of settlement, with any changes in the carrying amount of the liability recognised in Other equity as an adjustment to the amount of distribution.
- 7.1.2. Reduce from its books of accounts, the carrying amount of all assets and liabilities pertaining to the Textiles Business, being transferred to the Resulting Company, as at Effective Date.
- 7.1.3. Derecognise the Liability for Distribution of Non-Cash Assets to Owners (as provided in Para 7.1.1), upon issuance of shares by the Resulting Company to the shareholders of the Demerged Company, and the difference between the fair value of the Textiles Business, so distributed, and the carrying value of all assets and liabilities of the Textiles Business as at Effective Date will be credited/debited (as applicable) to the Statement of Profit and Loss account, solely to meet the requirements of Ind-AS notified under Section 133 of the Act.
- 7.1.4. Entire investment made by the Demerged Company in the equity share capital of the Resulting Company as on the Effective Date, shall stand cancelled;



The Board of Directors  
GHCL Textiles Limited  
GHCL House, Opp Punjabi Hall,  
Navrangpura Ahmedabad,  
Gujarat - 380009, India

**Subject: Statutory auditor's Independent report to examine and report on compliance of accounting treatment mentioned in clause 7.2 of the "Draft Scheme of Arrangement" with applicable accounting standards prescribed under section 133 of the Companies Act 2013 read with Companies (Accounts) Rules, 2015, as amended, in respect of Scheme of Arrangement between GHCL Textiles Limited and GHCL Limited and their respective Shareholders and Creditors.**

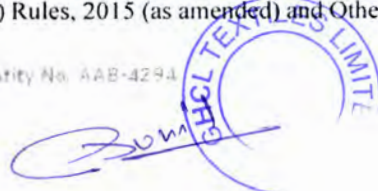
1. This Certificate is issued in accordance with the terms of our service scope letter date July 3, 2020 with the GHCL Textiles Limited (the "Company" or "Resulting Company") pursuant to the requirements of circulars issued under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for onwards submission to the Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and other regulatory authorities. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company.
2. At the request of the Management of GHCL Textiles Limited, we have examined the proposed accounting treatment in the books of the Resulting Company specified in Clause 7.2 of the draft Scheme of Arrangement (the "Scheme") between the Company and GHCL Limited ("Demerged Company"), companies incorporated in India under the provisions of the Companies Act, 2013/1956 (as applicable) and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013 (hereinafter referred to as the "Scheme") to confirm whether it is in compliance with the applicable Accounting Standards notified under the Companies Act 2013, Companies (Accounts) Rules 2015, as amended and Other Generally Accepted Accounting Principles ('Applicable Accounting Standards').
3. The attached Scheme (in Annexure A), is prepared by the Company which is required to be submitted by the Company to the National Company Law Tribunal ("NCLT") constituted under the Act and initialled by us for identification purposes.

#### **Managements' Responsibility**

4. The responsibility for the preparation of the Scheme and ensuring its compliance with the relevant laws and regulations, including the applicable Accounting Standards as aforesaid and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is that of the Board of Directors of the Companies involved in the Scheme. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Scheme.

#### **Auditor's Responsibility**

5. Pursuant to the requirements of Act, our responsibility is to express reasonable assurance in the form of an opinion that:
  - a) The proposed accounting treatment in the books of the Resulting Company specified in clause 7.2 of the Scheme is in compliance with the Applicable Accounting Standards and other generally accepted accounting principles in India.
6. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the reporting criteria. Accordingly, we have performed the following procedures in relation to the Certificate:
  - a) Read the proposed accounting treatment in the books of Resulting company specified in Clause 7.2 of the Scheme and obtained other necessary information and explanations from the management.
  - b) Validated the accounting treatment as described in Clause 7.2 of the aforesaid Scheme with accounting treatment as prescribed under Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2015 (as amended) and Other Generally Accepted Accounting Principles.



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7. Our examination did not extend to any aspects of a legal or propriety nature covered in clause 7.2 of the Scheme.
8. We performed procedures in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

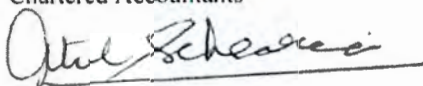
**Opinion**

10. Read with paragraph 5 above and based on procedures performed by us mentioned in para 6 above, and according to the information and explanations given to us, we report that the accounting treatment in the books of the Resulting Company contained in clause 7.2 of the Scheme (refer Annexure A) is in compliance with all the applicable accounting standards notified by the Central Government under section 133 of the Act, Companies (Accounts) Rules, 2015 (as amended).

**Restriction on Use**

11. This certificate has been prepared at the request of the Company solely for the purpose to comply with the requirements of the provisions of sections 230 to 232 and other applicable provisions of the Companies Act, 2013 for onward submission to the National Company Law Tribunal, BSE and NSE and other regulatory authorities in connection with the Scheme of Arrangements as referred to in paragraph 1 of the certificate. It should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing.

For S.R. Batliboi & Co LLP  
 Firm Registration Number: 301003E/E300005  
 Chartered Accountants



per Atul Seksaria  
 Partner

Membership No. 086370  
 UDIN: 20086370AAAACC3271  
 Place: Gurugram  
 Date: July 4, 2020



**Enclosed:** Extract of proposed accounting treatment specified in clause 7.2 of the Scheme

**Annexure -1****7.2 In the books of the Resulting Company**

On the Scheme becoming effective, the Resulting Company shall account for the Scheme in its books of accounts with effect from the Effective Date in accordance with applicable Indian Accounting Standards and generally accepted accounting principles in India prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as may be amended from time to time. Accordingly, the Resulting Company shall provide the following accounting treatment in its books of accounts:

- 7.2.1. Record the assets and liabilities of the Textiles Business of the Demerged Company, vested in it pursuant to this Scheme at their respective carrying values as appearing in the books of Demerged Company as at the Effective Date.
- 7.2.2. Record the equity shares issued and allotted by it pursuant to the Scheme at its fair value. The difference between the fair value of equity shares issued and the face value of equity shares issued will be classified as Securities Premium under the head "Other Equity".
- 7.2.3. The difference between the fair value of the equity shares issued by the Resulting Company to the shareholders of the Demerged Company as per Clause 5 and the book value of the assets and liabilities received from the Demerged Company will be debited/credited to equity and classified as "Capital reserve under the head "Other Equity".
- 7.2.4. Shares held by the Demerged Company in the Resulting Company shall stand cancelled. There shall be no further obligation in respect of the cancelled shares. The cancellation of share capital will be effected as part of this Scheme in accordance with provision of Section 66 of the Act and the order of the NCLT shall be deemed to be the order under the applicable provisions of the Act for confirming the cancellation of share capital.

