



Date: 16 March 2020

To,
 The Board of Directors
 GHCL Limited
 GHCL House, Opp. Punjabi Hall,
 Navrangpura, Ahmedabad,
 Gujarat – 380 009

Subject: Recommendation of fair share entitlement ratio for the proposed demerger of the Textiles Business of GHCL Limited into its wholly owned subsidiary (to be incorporated).

Dear Sir,

We refer to the engagement letter and discussions held with the Management of GHCL Limited (hereinafter referred to as 'GHCL' or 'demerged company'), wherein the Management of GHCL has requested N S KUMAR & CO. ('NSK', 'we' or 'us') to recommend a fair share entitlement ratio for the proposed demerger of the "Textiles Business" of GHCL into a wholly owned subsidiary of GHCL which is to be incorporated (hereinafter referred to as 'WOS' or 'resulting company').

Please find enclosed the report (comprising 8 pages) detailing our recommendation of fair share entitlement ratio for the proposed demerger and the assumptions used in our analysis.

This report sets out our scope of work, background, procedures performed by us, sources of information and our recommendation on the share entitlement ratio.

COMPANY BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

GHCL Limited ('the demerged company') is a public limited company and was incorporated on 14 October 1983 and is engaged in the business of i) manufacturing and sale of inorganic chemicals (including soda ash i.e. both dense grade and light grade); sodium bicarbonate and consumer products ('Chemical Business'); and ii) manufacturing and sale of textiles (including yarn manufacturing, weaving, processing, cutting and sewing of home textile products) ('Textiles Business'). The equity shares of GHCL are listed on both NSE and BSE.

The Management of GHCL (hereinafter referred to as 'the Management') are contemplating a proposal to demerge the Textiles Business of GHCL ('the demerged company') into a yet to be incorporated wholly owned subsidiary of GHCL ('WOS' or 'the resulting Company') ('proposed demerger') in accordance with the provisions of sections 230 to 232 including section 66 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("the Rules"), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force including the applicable provisions of the SEBI Guidelines and the rules framed therein with respect to the proposed demerger and in a manner provided in the Scheme of Arrangement (hereinafter referred to as 'the Scheme').

Based on our discussion with the Management, we understand that the Textiles Business of GHCL will be demerged into its wholly owned subsidiary ('WOS') (i.e. resulting company) which is yet to be incorporated. Further, we understand that as a part of the same Scheme, the outstanding issued and paid up share capital of WOS ('Pre Demerger Equity Share Capital') would be cancelled by way of capital reduction.

In connection with the above-mentioned proposed demerger, the Management has appointed NSK to submit a report recommending a fair share entitlement ratio for issue of shares of WOS to the shareholders of GHCL as a consideration for the proposed demerger.

We understand that the appointed date for the proposed demerger shall mean the effective date i.e. the date or last of the dates on which certified copies of the order of the NCLT sanctioning the scheme are filled by the Demerged Company and the Resulting Company with the registrar of companies. We have determined the fair share entitlement ratio for the proposed demerger as at the report date ('Valuation Date').

The scope of our service is to determine the share entitlement ratio as at the valuation date after considering the facts of the case and report on the same in accordance with generally accepted professional standards including Indian Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India (ICAI) and applicable Securities Exchange Board of India ('SEBI') Guidelines as may be applicable to listed entities.

This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.

SHAREHOLDING PATTERN

GHCL Limited ('Demerged Company')

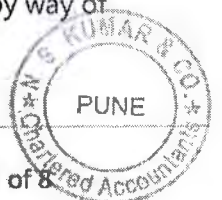
The equity shareholding pattern of GHCL as at 28 February 2020 is set out below:

Category of shareholder	Number of equity shares (Face Value of INR 10 each)	Percentage %
Promoter and Promoter Group	1,81,93,310	19.1%
Public	7,68,19,976	80.9%
Total	9,50,13,286	100.0%

Resulting Company

We have been informed by the Management that the Textiles Business will be demerged into a yet to be incorporated company which will be a wholly owned subsidiary ('WOS') of GHCL.

Further, we understand that as a part of the same demerger scheme, the outstanding issued and paid up share capital of WOS ('Pre Demerger Equity Share Capital') would be cancelled by way of capital reduction.



SOURCES OF INFORMATION

In connection with preparation of this report, we have used and relied on the following sources of information:

A. Company specific information:

Information provided by the Management which includes:

- Copy of the draft scheme of arrangement pursuant to which the proposed demerger is to be undertaken along with proposed capital reduction;
- Shareholding pattern of GHCL as at 28 February 2020; and
- Discussion with the Management to understand the rationale and basis for arriving at the recommended share entitlement ratio;

B. Industry and economy information:

- Such other information and documents as provided by the Management for the purpose of this engagement.

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

PROCEDURES ADOPTED

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Reviewed the draft scheme of arrangement;
- Determined the fair share entitlement ratio in discussions with the Management, for issue of equity shares of resulting company to the shareholders of GHCL as a consideration for the proposed demerger of the Textiles Business of GHCL into resulting company after taking into consideration the shareholding pattern of GHCL and the proposed shareholding pattern after considering the effect of the capital reduction in the resulting company which is part of the scheme;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Analysis of other facts and data as considered necessary; and
- Arrived at the final share entitlement ratio for the proposed demerger after considering the effect of capital reduction.



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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

This report, its contents and the results herein are specific and subject to:

- the purpose of valuation agreed as per the terms of this engagement;
- the date of this report;
- proposed capital reduction of all the outstanding issued and paid up share capital of the resulting company;
- proposed share entitlement ratio recommended by the Management;
- draft scheme of arrangement; and
- data detailed in the section – Sources of Information

A value analysis of this nature is based on information made available to us as of the date of this report, events occurring after that 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.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Management till the date of this report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of our analysis, we were provided with both written and verbal information, by the Management as detailed in the section- Sources of Information.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of,

- the accuracy of information made available to us by the Management, which formed a substantial basis for this report; and
- the accuracy of information that was publicly available;

We have not carried out a due diligence or audit or review of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

We are not legal or regulatory advisors with respect to legal and regulatory matters for the proposed demerger. We do not express any form of assurance that the financial information or other information as prepared and provided by the Management is accurate. Also, with respect to explanations and information sought from the Management, we have been given to understand by the Management that they have 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. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management of the Company has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Management. However, nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. 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, which a more extensive examination might disclose.

The report assumes that the Companies complies fully with relevant laws and regulations applicable in all its areas of operations and that the Company will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration on to matters of a legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not recorded in the financial statements of the Company.

We would like to emphasize that as per the proposed scheme of demerger, Textiles Business of GHCL ('demerged company') will be demerged into its wholly owned subsidiary which is yet to be incorporated ('WOS' or 'resulting company') and upon cancellation of the outstanding issued and paid up share capital as a part of the scheme of the resulting company by way of capital reduction, fresh issue of shares would be made to the existing shareholders of GHCL on a proportionate basis such that their existing holding in GHCL is replicated in the resulting company.

This report does not look into the business/ commercial reasons behind the proposed demerger nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the proposed demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. We must emphasize that since the proportionate shareholding would be maintained before and after the proposed demerger (i.e. there would be no change in the shareholding pattern), we have not carried out any independent valuation of the demerged company, the resulting company or the demerging business as a part of this engagement. This report is restricted to recommendation of share entitlement ratio for the proposed demerger only.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility only to the Board of Directors of GHCL, who have appointed us, and nobody else.

We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. In no circumstance shall the liability of NSK exceed the amount as agreed in our Engagement Letter.

This share entitlement ratio report is subject to the laws of India.

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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 relevant filings with the statutory authorities/ circulation among the stakeholders of the demerged/ resulting company with respect to the proposed demerger, without our prior written consent.

RATIONALE FOR SHARE ENTITLEMENT RATIO

As mentioned earlier, as a part of the scheme of demerger, the Textiles Business of GHCL is proposed to be demerged into its wholly owned subsidiary which is yet to be incorporated. GHCL has identified all the assets and liabilities of the Textiles Business which are to be taken over by and transferred to WOS. Also, as a part of the same Scheme all the outstanding issued and paid up share capital of WOS ('Pre Demerger Equity Share Capital') would be cancelled by way of capital reduction.

We understand that, upon the scheme being effective, all the shareholders of GHCL would also become the shareholders of WOS and with the outstanding issued and paid up share capital of WOS ('Pre Demerger Equity Share Capital') getting cancelled by way of a capital reduction which would be part of the same scheme, their shareholding in WOS would mirror their existing shareholding in GHCL prior to the demerger.

Taking into account the above facts and circumstance, any share entitlement ratio can be considered appropriate and fair for the proposed demerger as the proportionate equity shareholding of any shareholder pre-demerger and post-demerger would remain same and not vary and we have therefore not carried out any independent valuation of the subject business. The Management has proposed a share entitlement ratio of "1 (One) equity share of WOS 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 GHCL".

The Share Entitlement Ratio has been recommended keeping in mind the future equity servicing capacity and minimum share capital requirement of WOS.

The effect of demerger is that each shareholder of GHCL becomes the owner of shares in two companies instead of one. No shareholder is, under the scheme, required to dispose off any part of his shareholding either to any of the other shareholders or in the market or otherwise. The scheme does not envisage the dilution of the holding of any one or more shareholders as a result of the operation of the scheme. Post demerger, the percentage holding of a shareholder in GHCL and in WOS would remain same and not vary.

Upon issuance of equity shares basis the Share entitlement Ratio, and after the cancellation of Pre- Demerger Equity Share Capital of WOS, the equity shareholders of GHCL and WOS would be same.

Therefore, in our view, the above Share Entitlement Ratio is fair and equitable, considering that all the shareholders of GHCL, will, upon the proposed demerger, have their inter-se economic interests, rights, obligations in WOS post-demerger in the same proportion as their existing economic interests, rights and obligations in GHCL pre-demerger.

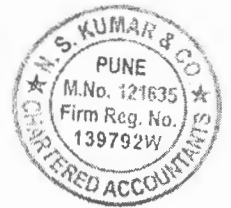
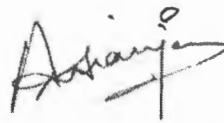
CONCLUSION

In the light of the above and on a consideration of all the relevant factors and circumstances and subject to our scope, limitations as mentioned above, we recommend the following share entitlement ratio of:

1 (One) equity share of 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 demerged company i.e. GHCL.

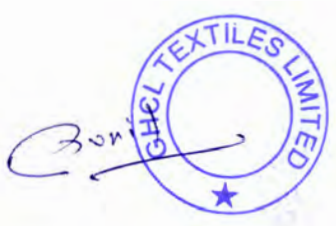
Respectfully submitted,

N S KUMAR & CO.
Chartered Accountants
ICAI Firm Registration No. 139792W



Niranjn Kumar
Proprietor
Membership No. 121635
UDIN: 20121635AAAABL192E

Place: Pune
Date: 16 March 2020



Annexure-1

As per the proposed scheme of demerger, Textiles Business of GHCL ('demerged company') will be demerged into its wholly owned subsidiary which is yet to be incorporated ('WOS' or 'resulting company') and upon cancellation of the outstanding issued and paid up shares held by demerged company in the resulting company by way of capital reduction, fresh issue of shares would be made to the existing shareholders of demerged company on a proportionate basis such that their shareholding in the resulting company would mirror their existing shareholding in demerged company. Hence, we have not carried out any independent valuation of demerged company (i.e. GHCL) and Textiles Business (i.e. demerged business).

Valuation Approach	GHCL Limited (A)		Textiles Business (B)	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach	NA	0%	NA	0%
Income Approach	NA	0%	NA	0%
Market Approach	NA	0%	NA	0%
Relative value per share	NA		NA	
Share Entitlement Ratio (A/B)			NA	

NA: Not adopted



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