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REPORT OF THE MEETING OF INDEPENDENT DIRECTORS OF GHCL LIMITED RECOMMENDING SCHEME OF ARRANGEMENT BETWEEN THE GHCL LIMITED (DEMERGED COMPANY) AND GHCL TEXTILES LIMITED (RESULTING COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

Present in person through VC:

1. Dr. Manoj Vaish
2. Mrs. Vijaylaxmi Joshi
3. Mr. Arun Kumar Jain
4. Justice Ravindra Singh
5. Dr. Lavanya Rastogi

Invitees:

1. Mr. R S Jalan – Managing Director
2. Mr. Raman Chopra – CFO & Executive Director (Finance)
3. Mr. Neelabh Dalmia – Executive Director (Textiles)
4. Mr. Bhuvneshwar Mishra – Sr. GM Sustainability & Company Secretary
5. Mr. Manoj Kumar Ishwar – AGM Secretarial

I. BACKGROUND

The proposal had been placed before the Independent Directors at their meeting held on Monday December 6, 2021 which was considered, and the recommendation had been made to the Board for approval of the draft scheme of arrangement between the GHCL Limited ('GHCL' or 'Demerged Company' or 'the Company') and GHCL Textiles Limited ('GHCL Textiles' or 'Resulting Company') and their respective shareholders and creditors ('Scheme') subject to approval of statutory authorities including Hon'ble NCLT, Ahmedabad bench

GHCL Limited is a listed public company inter-alia engaged in varied business verticals namely Chemical, Spinning and Home Textiles (consisting of Spinning Division and Home Textiles Division). GHCL Textiles Limited is wholly owned subsidiary of GHCL Limited.

This Report of the Independent Directors is made in order to comply with the provisions of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021

The draft Scheme was placed before the Independent Directors to consider and recommend the same to the Board of Directors of the Company after taking into account that the Scheme is not detrimental to the Shareholders of the Company along with the following draft documents:

- a) Draft Scheme, duly initialled by Company Secretary of the Company for the purpose of identification;



- b) Share Exchange Ratio Report dated 6-Dec- 2021 issued by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets, providing the share exchange ratio for the proposed Scheme;
- c) Fairness Opinion dated 6-Dec-2021 prepared by Kunvarji Finstock Private Limited, SEBI Category 1 Merchant Banker, providing the Fairness Opinion on the share exchange ratio ("Fairness Opinion") as recommended by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets; and
- d) Certificate dated 6-Dec-2021 issued by the Statutory Auditors of the Company i.e., S.R. Batliboi & Co. LLP, Chartered Accountants, to the effect that the Scheme is in compliance with the applicable Accounting Standards as specified by the Central Government under Section 133 of the Companies Act, 2013;

II. RATIONALE

The Independent Directors' note the rationale of the draft Scheme, which is as follows:

The Demerged Company is inter-alia engaged in varied business verticals namely Chemical, Spinning and Home Textiles. The Chemical business is highly capital driven with long gestation period and the Textiles business (consisting of Spinning Division and Home Textiles Division), on the other hand, is dynamic, more volatile to domestic and international market conditions, heavily dependent on product innovations and development, which require different skill sets and capabilities.

Management believes that the risk and reward associated with each of the aforesaid business verticals are different and are at different maturity stage in their life cycles. Each business verticals have a distinct attractiveness to divergent set of investors. With a view to unlock the potential of each of the business verticals namely Chemical, Spinning and Home Textiles, the management has initiated the process to divest its Home Textile Business to Indo Count Industries Limited subject to requisite approvals required to be sought and further intends to demerge the Spinning Division, on a going concern basis, into its wholly owned subsidiary, with a resultant mirror image shareholding, and whose shares would be listed on the Stock Exchange after the demerger, with an intent to focus on its Chemical and Spinning Business separately, where the management believes that the concentrated efforts shall benefit all stakeholders of the Demerged and Resulting Company.

The Scheme is expected to result in the following benefits:

- a) *Facilitate focused growth, concentrated approach, business synergies and increased operational and customer focus for respective business verticals.*
- b) *Rationalization of operations with greater degree of operational efficiency and optimum utilization of various resources.*
- c) *The Resulting Company, with clear identity of being in a Spinning Business, will enable right customer attention resulting in deeper market penetration.*
- d) *Creating and enhancing stakeholder's value by unlocking the intrinsic value of its core businesses and listing of shares of the Resulting Company;*



- e) *Ability to leverage financial and operational resources in each business verticals will lead to possibilities of joint ventures and associations with other Industry participants, both in India and globally, and will facilitate attracting greater talent pool.*
- f) *Each business will be able to address independent business opportunities with efficient capital allocation and attract different set of investors, strategic partners, lenders and other stakeholders, thus leading to enhanced value creation for shareholders, which would be in the best interest of the Demerged Company and Resulting Company and their respective stakeholders connected therewith.*
- g) *Simplification and rationalization of business undertakings holding structure of the Company.*

III. 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 6-Dec-2021 issued by Mr. Niranjana Kumar, Registered Valuer (IBBI Registration No - IBBI/RV/06/2018/10137), appointed for the purpose of the arrangement as prescribed in Para (A)(4) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, 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)"

IV. VALUATION AND SWAP RATIO

The Independent Directors' Committee perused the following documents in relation to the Scheme:

- i. Draft Scheme of Arrangement;
- ii. Share Entitlement Report(s) dated 6-Dec-2021 issued by Mr. Niranjana Kumar, Registered Valuer (IBBI Registration No - IBBI/RV/06/2018/10137); and
- iii. Fairness Opinion dated 6-Dec-2021 issued by Kunvarji Finstock Private Limited, an Independent SEBI Registered Category - I Merchant Banker;
- iv. Certificate dated 6-Dec-2021 issued by the Statutory Auditors of the Company i.e., S.R. Batliboi & Co. LLP, Chartered Accountants, to the effect that the Scheme is in compliance with the applicable Accounting Standards as specified by the Central Government under Section 133 of the Companies Act, 2013;



The Committee of Independent Directors noted the following:

Upon this Scheme becoming effective, the Company will issue shares, in consideration of the demerger, as follows:

"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)"

- 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.

V. RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS' COMMITTEE

The Independent Directors' after due deliberations and due consideration of all the terms of the draft Scheme, Share Exchange Ratio Report, Fairness Opinion Report and the specific points mentioned above including interest of Shareholders of the Company, recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, the Stock Exchanges, the Securities and Exchange Board of India and other statutory / regulatory authorities including NCLT.

By Order of the Independent Directors'

For and on behalf of Independent Directors' of GHCL Limited



Dr. Manoj Vaish
Lead Independent Director & Chairman appointed for the Independent Directors' meeting

Date: December 6, 2021
Place: Mumbai