

Date: 06 December 2021

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

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

**Subject: Recommendation of share entitlement ratio for the proposed demerger of the 'Spinning Business' of GHCL Limited ('GHCL') into GHCL Textiles Limited ('GHCL Textiles').**

Dear Sir,

We refer to the engagement letter dated 26 November 2021 and discussions undertaken with the Management of GHCL Limited ('GHCL' or 'Demerged Company') and GHCL Textiles Limited ('GHCL Textiles' or 'Resulting Company') (hereinafter both of them together referred to as 'the Management'), wherein the Management of GHCL and GHCL Textiles has requested Niranjan Kumar, Registered Valuer - Securities or Financial Assets ('NK', 'we' or 'us') to recommend a share entitlement ratio for the proposed demerger of the "Spinning Business" of GHCL into its wholly owned subsidiary i.e. GHCL Textiles Limited ('Proposed Demerger').

Hereinafter, the Management including the Board of Directors of GHCL and GHCL Textiles shall together be referred to as 'the Management'; and the Demerged Company and Resulting Company shall together be referred to as 'Transacting Companies'.

Please find enclosed the report (comprising 11 pages including annexure) detailing our recommendation of share entitlement ratio for the proposed demerger and the assumptions used in our analysis.

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

#### **BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT**

**GHCL Limited ('GHCL' or 'Demerged Company')** 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, industrial salt and consumer products ('Chemical Business'); (ii) yarn manufacturing, spinning of yarn and other ancillary materials from its manufacturing plant situated at Madurai and Manaparai, Tamil Nadu ('Spinning Business'); and (iii) manufacture and sale of home textiles products (including but not limited to weaving, processing, cutting and sewing of home textiles products) from its manufacturing plant situated at Vapi, Gujarat ('Home Textiles Business'). The equity shares of GHCL are listed on both NSE and BSE. GHCL holds 100% equity stake in GHCL Textiles Limited.

**GHCL Textiles Limited ('GHCL Textiles' or 'Resulting Company')** was incorporated on 17 June 2020 with an objective to engage in the textile business. GHCL Textiles is a wholly owned subsidiary of GHCL Limited.

We understand that the Management of the Transacting Companies are contemplating a scheme of arrangement, wherein they intend to demerge the 'Spinning Business' of GHCL into GHCL Textiles 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 Spinning Business of GHCL ('Demerged Company') will be demerged into its wholly owned subsidiary i.e. GHCL Textiles ('Resulting Company'). Further, we understand that as a part of the Scheme, the outstanding issued and paid up share capital of GHCL Textiles ('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 Niranjana Kumar, Registered Valuer- Securities or Financial Assets to submit a report recommending a share entitlement ratio for issue of shares of GHCL Textiles to the shareholders of GHCL as a consideration for the proposed demerger.

We would like to emphasize that certain terms of the proposed demerger are stated in our report, however the detailed terms of the proposed demerger shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the proposed demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

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 filed by the Demerged Company and the Resulting Company with the registrar of companies. We have determined the 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 ICAI Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India (ICAI) and requirement prescribed by Securities Exchange Board of India ('SEBI') Regulations as may be applicable to listed entities.

The Management have informed us that:

- a) There would not be any capital variation in the Transacting Companies till the proposed demerger becomes effective without approval of the shareholders and other relevant authorities;

- b) Till the proposed demerger becomes effective, neither of the Transacting Companies would declare any dividend which are materially different from those declared in the past few years.
- c) There are no unusual/ abnormal events in the Transacting Companies other than those represented to us by the Management till the report date materially impacting their operating/ financial performance.
- d) There would be no significant variation between the draft scheme of arrangement and the final scheme approved and submitted with the relevant authorities.

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.

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## **SHAREHOLDING PATTERN**

### **a) GHCL Limited ('Demerged Company')**

The equity shareholding pattern of GHCL as at 30 September 2021 is set out below:

<b>Category of shareholder</b>	<b>Number of equity shares (Face Value of INR 10 each)</b>	<b>Percentage %</b>
Promoter and Promoter Group	1,81,87,810	19.1%
Public	7,71,62,976	80.9%
<b>Total</b>	<b>9,53,50,786</b>	<b>100.0%</b>

### **b) GHCL Textiles Limited ('Resulting Company')**

The equity shareholding pattern of GHCL Textiles as at 30 September 2021 is set out below:

<b>Name of shareholder</b>	<b>Number of equity shares (Face Value of INR 2 each)</b>	<b>Percentage %</b>
GHCL Limited (including its nominee)	50,000	100.0%
<b>Total</b>	<b>50,000</b>	<b>100.0%</b>

We understand that as a part of the Scheme, the entire above-mentioned outstanding issued and paid up share capital of GHCL Textiles ('Pre Demerger Equity Share Capital') would be cancelled by way of capital reduction.

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## **SOURCES OF INFORMATION**

In connection with the recommendation of share entitlement ratio, we have used the following information obtained from the Management and/ or gathered from public domain:

- 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 and GHCL Textiles as at 30 September 2021; and
- Discussion with the Management to understand the rationale and basis for arriving at the recommended share entitlement ratio;
- 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.

The Management of the Transacting Companies have been provided with the opportunity to review the draft report (excluding the recommended share entitlement ratio) as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in our report.

## **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;
- Reviewed the shareholding pattern of GHCL and GHCL Textiles as at 30 September 2021;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Analysis of other facts and data as considered necessary; and
- Determined the fair share entitlement ratio in discussions with the Management, for issue of equity shares of GHCL Textiles ('Resulting Company') to the shareholders of GHCL ('Demerged Company') as a consideration for the proposed demerger of the 'Spinning Business' after considering the effect of the capital reduction in GHCL Textiles forming part of the Scheme;
- Arrived at the final share entitlement ratio for the proposed demerger after considering the effect of capital reduction.



## **RATIONALE FOR SHARE ENTITLEMENT RATIO**

As mentioned earlier, as a part of the scheme of arrangement, the Spinning Business of GHCL is proposed to be demerged into its wholly owned subsidiary i.e. GHCL Textiles. GHCL has identified all the assets and liabilities of the Spinning Business which are to be taken over by and transferred to GHCL Textiles. Also, as a part of the Scheme, all the outstanding issued and paid up share capital of GHCL Textiles ('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 GHCL Textiles and with the outstanding issued and paid-up share capital of GHCL Textiles ('Pre Demerger Equity Share Capital') getting cancelled by way of a capital reduction which would be part of the same scheme, their shareholding in GHCL Textiles 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 Spinning Business and GHCL Textiles. The Management has proposed a share entitlement ratio of "1 (One) equity share of GHCL Textiles 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 GHCL Textiles.

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 GHCL Textiles 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 GHCL Textiles, the equity shareholders of GHCL and GHCL Textiles 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 GHCL Textiles post-demerger in the same proportion as their existing economic interests, rights and obligations in GHCL pre-demerger.

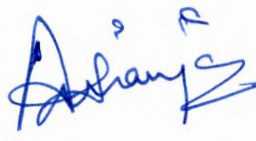


## **CONCLUSION**

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 GHCL Textiles of face value of INR 2 each fully paid up shall be issued for every **1 (One)** equity share held in GHCL having face value of INR 10 each fully paid up.

Respectfully submitted,



Niranjn Kumar  
Registered Valuer- Securities or Financial Assets  
IBBI Registration Number: IBBi/RV/06/2018/10137  
ICAIRVO/06/RV-P000021/2018-19  
UDIN: 21121635AAAHT4422

Date: 06 December 2021

Place: Pune

## **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;
- equity shareholding pattern of GHCL and GHCL Textiles as at 30 September 2021;
- proposed capital reduction of all the outstanding issued and paid up share capital of the GHCL Textiles ('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 represented to us by the Management.

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. This report is restricted to recommendation of share entitlement ratio for the proposed demerger only.

We would like to emphasize that as per the proposed scheme of arrangement, Spinning Business of GHCL ('Demerged Company') will be demerged into its wholly owned subsidiary i.e. GHCL Textiles ('Resulting Company') and upon cancellation of the entire outstanding issued and paid up share capital as a part of the scheme of the GHCL Textiles 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 GHCL Textiles. Accordingly, we believe that any share entitlement ratio can be considered appropriate and fair for the proposed demerger as the inter-se 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 Spinning Business of GHCL and GHCL Textiles.

Certain terms of the proposed demerger are stated in our report, however the detailed terms of the proposed demerger shall be more fully described and explained in the scheme document to be submitted with relevant authorities in relation to the proposed demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the Scheme document.

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

We owe responsibility only to the Board of Directors of the Transacting Companies, 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 NK exceed the amount as agreed in our Engagement Letter

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

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 the purpose of recommending the share entitlement ratio for the proposed demerger and relevant filing with regulatory authorities in this regard, without our prior written consent.

In addition, this report does not in any manner address the prices at which equity shares of GHCL shall trade following announcements of the proposed demerger and we express no opinion or recommendation as to how shareholders of the Transacting Companies should vote at any shareholders' meetings. Our report and the opinion/ valuation analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

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## Annexure-1: Summary of share entitlement ratio

### Demerger of 'Spinning Business' of GHCL Limited ('Demerged Company') into GHCL Textiles Limited ('Resulting Company')

Valuation Approach	Spinning Business of GHCL Limited (A)		GHCL Textiles Limited (B)	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach (Refer Note 1)	NA	0%	NA	0%
Income Approach (Refer Note 2)	NA	0%	NA	0%
Market Approach (Refer Note 3)	NA	0%	NA	0%
<b>Relative value per share</b>	<b>NA</b>		<b>NA</b>	
<b>Share Entitlement Ratio (A/B)</b>			<b>NA</b>	

NA: Not adopted

#### Notes:

#### 1. Asset Approach – Not Adopted

As per the proposed scheme of arrangement, Spinning Business of GHCL ('Demerged Company') will be demerged into its wholly owned subsidiary i.e. GHCL Textiles ('Resulting Company') and upon cancellation of the entire outstanding issued and paid up equity shares held by GHCL in GHCL Textiles 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 shareholding in GHCL Textiles would mirror their existing shareholding in GHCL. Hence, we have not carried out any independent valuation of Spinning Business of GHCL and GHCL Textiles.

In light of the above, we have not carried out any independent valuation of Spinning Business of GHCL and GHCL Textiles using the Asset Approach.

#### 2. Income Approach – Not Adopted

In view of the explanation given in Note 1 above, we have not carried out any independent valuation of Spinning Business of GHCL and GHCL Textiles using the Income Approach.

#### 3. Market Approach – Not Adopted

In view of the explanation given in Note 1 above, we have not carried out any independent valuation of Spinning Business of GHCL and GHCL Textiles using the Market Approach.



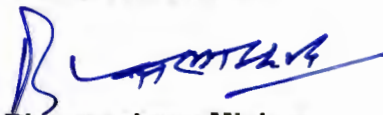
To,  
The General Manager,  
National Stock Exchange of India Limited  
"Exchange Plaza"  
Bandra – Kurla Complex,  
Bandra (E), Mumbai – 400051

Dear Sir/Madam,

**Sub: Application under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 for the proposed Scheme of Arrangement presented under Sections 230 to 232 and other applicable provisions of Companies Act, 2013 ('the Act') between GHCL Limited ('Demerged Company') and GHCL Textiles Limited ('Resulting Company')**

In connection with the above application, we hereby confirm that no material event impacting the valuation has occurred during the intervening period of filing the scheme documents with Stock Exchange and period under consideration for valuation.

For GHCL Limited



**Bhuwleshwar Mishra**  
Sr. GM-Sustainability & Company Secretary

Date: December 23, 2021