

Summary of the Proposed Combination

[In terms of Regulation 13 (1A) of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations), 2011, as amended on 13 August 2019]

A. Name of the parties to the Proposed Combination

GHCL Limited and GHCL Textiles Limited (herein collectively referred to as parties).

B. The nature and purpose of the Combination

The Board of Directors of the GHCL Limited ('GHCL' or 'Demerged Company'), an Indian public limited company listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), has approved a Scheme of Arrangement, on March 16, 2020, involving an internal restructuring of its business by way of a demerger of its Textiles business division ('Demerged Business') into its wholly owned subsidiary company named GHCL Textiles Limited ('Resulting Company') – hereinafter referred to as 'Proposed Demerger' or 'Proposed Transaction' or 'Scheme'. The Board of Directors of the GHCL Textiles Limited also approved the Scheme on July 7, 2020.

Pursuant to such Proposed Demerger, GHCL will retain its chemicals and consumer products business division and the Resulting Company will be engaged in the demerged Textiles business division. Shareholders of GHCL will receive shares in the GHCL Textiles basis swap ratio of 1:1 resulting in mirror shareholding pattern of the GHCL and the Resulting Company. GHCL Textiles will then not remain a subsidiary of GHCL post the Proposed Demerger, as the pre-demerger capital held by GHCL in the Resulting Company will get cancelled as part of the Scheme.

The Proposed Demerger will be made effective from the Effective Date (i.e. date 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).

The Proposed Demerger (providing for carve out of Textile division of GHCL) is subject to receipt of the requisite approvals from the Shareholders, Creditors, and regulatory authorities (which includes National Company Law Tribunal (Ahmedabad bench), Regional Directors, Registrar of Companies, Income Tax Department, Stock Exchanges/SEBI).

In order to maximize value of all stakeholders, the Board of Directors of GHCL Ltd. ('Demerged Company') and GHCL Textiles Ltd. ('Resulting Company') intend to transfer Textiles Business ('Demerged Business') of GHCL Ltd. to GHCL Textiles Ltd., which would enable a more efficient, effective and focused management and utilization of resources and talent, and for administrative convenience. It is expected that such restructuring will be beneficial for GHCL Ltd. and its shareholders as it would result in a better focus



on the Demerged Business and the Remaining Business and unlock the value of the said businesses for the shareholders. Further, the demerger will enable the Remaining Business of the Demerged Company to provide focused leadership and management attention on its Chemical Business, through its specialized team which has built expertise over the years. The Scheme is expected to result in following benefits:-

- i. Facilitate focused growth, concentrated approach, business synergies and increased operational and customer focus for respective business verticals.
- ii. Rationalization of operations with greater degree of operational efficiency and optimum utilization of various resources.
- iii. The Resulting Company, with clear identity of being a Textiles Business, will enable right customer attention resulting in deeper market penetration.
- iv. Creating and enhancing stakeholder's value by unlocking the intrinsic value of its core businesses and listing of shares of the Resulting Company;
- v. 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.
- vi. 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.
- vii. Simplification and rationalization of business undertakings holding structure of the Company.

Considering the above, the management believes that the Textiles Business of GHCL Ltd. should be demerged into an independent company, being Resulting Company i.e. GHCL Textiles Ltd. and its shares should thereafter be listed on relevant Stock Exchanges.

C. The products, services and business(es) of the parties to the Combination:

1. GHCL Limited:

GHCL Ltd. is engaged in the business of (i) manufacture and sale of inorganic chemicals (including but not limited to Soda Ash (Dense grade and Light grade), Sodium Bicarbonate, Industrial and Consumer Products) ('**Chemical business**') (ii) manufacture and sale of textiles (including but not limited to integrated yarn manufacturing along with weaving, processing, cutting and sewing of home textiles products) ('**Textiles business**').



2. GHCL Textiles Limited:

Please note that GHCL Textiles Limited is a newly incorporated entity and do not undertake any business activities. Post the effectiveness of the proposed Scheme, GHCL Textiles Ltd. shall undertake the Textile Business (being demerged undertaking), as mentioned above, of GHCL Ltd.

D. Relevant market(s) in which parties to the Proposed Combination operate:

The Proposed Demerger primarily concerns the textiles sector in India. However, given that the Proposed Demerger is in fact just an internal restructuring exercise – a simple demerger wherein GHCL will demerge its textiles business division into the Resulting Company and the shareholders of GHCL will receive shares in the Resulting Company in a swap ratio of 1:1 resulting in mirror shareholding pattern of the Demerged Company and the Resulting Company. Hence, we understand that it does not appear to raise any competition concerns.

Please note that GHCL Textiles Ltd. is a newly incorporated entity and do not undertake any business activities. Post the effectiveness of the proposed Scheme, GHCL Textiles Ltd. shall undertake the Textile Business (being demerged undertaking), as mentioned above, of GHCL Limited.

