



# GINNI FILAMENTS LIMITED

CIN : L71200UP1982PLC012550

Regd. Office : 110 K.M. Stone, Delhi-Mathura Road, Chhata-281401, Distt: Mathura (U.P), INDIA

Ph : + 91- 7520038471 Email : mill1@ginnifilaments.com

Corporate office: D-196, Sector-63, Noida-201307, INDIA

Ph : + 91-120-4058400 (30 LINES)

Email:secretarial@ginnifilaments.com, Website : www.ginnifilaments.com

---

## EXPLANATORY STATEMENT

**(Pursuant to Section 102 of the Companies Act, 2013)**

### **Rationale of Slump Sale**

Company while reviewing financials and performance of various undertakings, found that the Undertaking consisting of Spinning, Knitting and processing business is suffering cash losses of more than Rs. 3.5 Crore per month continuously since quarters April- June 2022 onwards. The reasons for the same has been global slowdown of demand due to Covid-19 and continued adverse global geo-political situation, particularly, major consumer countries for clothing viz. USA and Europe are facing economic slow down and as a result the demand of clothing has suffered severely. Besides duty free access to countries like Vietnam and Bangladesh is also putting pressure on prices in India. Domestic demand of clothing is also not encouraging due to high inflation in food prices and change of spending pattern.

This situation is not likely to improve substantially in near future as machines have become old and requires huge investment. The same is not looking feasible considering present status of the Company.

The technical textile and consumer product undertakings which are not part of the slump sale are performing with satisfactory cash profits of more than Rs. 2 Crore per month presently and have further growth potential.

The management has recommended the slump sale of these units as a strategic decision to enhance the company's financial position and streamline its operations.

Company explored the market for hiving of the spinning, knitting and processing undertaking and found that the offer received from RSWM Ltd a listed Company having its registered office in Bhilwara, Rajasthan, was the best available offer and they are ready to acquire the said undertaking. The Board of Directors of the Company ("Board") at its meeting held on 1<sup>st</sup> December, 2023, approved the transfer and sale of the Undertaking, subject to approval of shareholder on a going concern basis, by way of a "slump sale" (as contemplated under Section 50 B read with section 2(42C) of the Income Tax Act, 1961), to M/s RSWM Limited ("Acquirer") in accordance with the terms of the Term Sheet dated 01/12/2023 for a consideration of Rs.160 Crores (Rupees One Hundred Sixty Crores) net of working capital limits to be taken over by RSWM. All assets and liabilities pertaining to these undertaking will also be assumed by RSWM as per Term Sheet executed as per which Company will transfer :

(i) respective assets & liabilities includes, All plant and machinery (including all spares thereto) installed or otherwise lying at the factory and all non-current assets on as is where is basis including vehicles, furniture, fixtures, office equipment, computers (including related infrastructure) etc.

(ii) embedded goodwill includes brands, all tangible and intangible properties belonging to the Undertaking, including intellectual property, if any, and right, title and interest in the computer software (both third party licensed or purchased or indigenously developed, and which is being used in the business operations of the Undertaking).



# GINNI FILAMENTS LIMITED

CIN : L71200UP1982PLC012550

Regd. Office : 110 K.M. Stone, Delhi-Mathura Road, Chhata-281401, Distt: Mathura (U.P), INDIA

Ph : + 91- 7520038471 Email : mill1@ginnifilaments.com

Corporate office: D-196, Sector-63, Noida-201307, INDIA

Ph : + 91-120-4058400 (30 LINES)

Email:secretarial@ginnifilaments.com, Website : www.ginnifilaments.com

---

(iii) All licenses, clearances, consents, approvals and permissions granted to the Undertaking including the licenses, clearances, consents, approvals and permissions whether renewed or applied for renewal by the Seller.

(iv) Insurance policies along with the rights and benefits therein relating to the Undertaking, provided that any claims relating to Undertaking filed for settlement by the Seller with any insurer shall not form part of the proposed Transaction.

(v) All Banking Limits, Employees with new contracts, Existing Customer Purchase orders, freehold Kosi land, communications and related matters all other rights, benefits and privileges (including goodwill) accruing to the relevant transferor and which relate to the Business.

Business Transfer Agreement and the transaction is expected to be closed within 90 days from the date of term sheet.

There will be no change in the shareholding pattern of the Company as the proposal is for sale and transfer of the Undertaking.

## **Object of Slump Sale:**

The decision to sell Spinning, Knitting and processing undertaking is the result of meticulous analysis and forward-thinking considerations aimed at securing the long-term prosperity of the Company. Following are the reasons justifying our strategic move:

- Aligning the Business strategy to adapt to changing Market dynamics, focusing on performing Undertakings and divesting under performing undertaking.
- The infusion of capital from slump sale will empower the Company to optimize its financial structure and reduce debt, thus positioning it for sustained growth. This would also improve the Company's credit profile.
- The cash surplus arising from slump sale will enable the Company to utilize more funds in the technical textile and consumer product units which have further more growth potential and are performing with satisfactory profits. Thereafter company will further explore venturing into new area of growth.