

Date: August 14, 2023

The Board of Directors

ITC Limited,
Virginia House,
37 Jawaharlal Nehru Road,
Kolkata, West Bengal 700071

Dear Sirs,

Sub: Proposed scheme of arrangement amongst ITC Limited ("ITC" or the "Company"), ITC Hotels Limited ("ITC Hotels") and their respective shareholders and creditors

You have requested us to issue a fairness opinion ("**Opinion**") from a financial point of view on the Share Entitlement Ratio (*as defined below*) in relation to the demerger of the demerged undertaking (comprising the Hotels Business) (*as set out in the scheme*) ("**Demerged Undertaking**") of ITC into ITC Hotels (the "**Demerger**"). As more fully described in the Scheme (*as defined below*), in consideration of the Demerger, for every 10 ordinary shares of face and paid-up value of Re. 1 held in ITC, 1 equity share of face and paid-up value of Re. 1 in ITC Hotels (the "**Share Entitlement Ratio**").

Background of the Companies

ITC Limited, incorporated on August 24, 1910 is one of India's leading private sector companies and a diversified conglomerate with businesses spanning fast-moving consumer goods, hotels, paperboards, paper and packaging, and agri business. The ordinary shares of ITC are listed on National Stock Exchange of India Limited, BSE Limited and Calcutta Stock Exchange (collectively referred to as the "**Stock Exchanges**"). The global depository receipts of ITC are listed on the Luxembourg Stock Exchange.

ITC Hotels Limited, incorporated on July 28, 2023, is a wholly owned subsidiary of ITC. The main object of ITC Hotels is 'hotels and hospitality'.

Proposed Transaction

Scheme of arrangement is being proposed to be entered amongst ITC, ITC Hotels and their respective shareholders and creditors ("**Scheme**"), under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, providing for the demerger of the Demerged Undertaking (comprising of the Hotels Business) (*as set out in the scheme*) of ITC into ITC Hotels and in consideration, the consequent issuance of equity shares by ITC Hotels to the ordinary shareholders of ITC ("**Proposed Transaction**").



Our scope is restricted to providing an Opinion on the Share Entitlement Ratio as prescribed by PwC Business Consulting Services LLP (“PwC”) in its Share Entitlement Ratio Report dated August 14, 2023 (“**Share Entitlement Ratio Report**”).

In arriving at our Opinion, we have reviewed (i) the Share Entitlement Ratio Report and (ii) the draft of the Scheme received by us which envisages the issuance of equity shares by ITC Hotels to the ordinary shareholders of ITC in the same ratio as their holdings in ITC as on the Record Date; and (iii) the current shareholding pattern of ITC Hotels. We have also reviewed certain publicly available information, which the Company has confirmed as being reasonable for the purposes of providing our fairness opinion, and have also taken into account such other matters as we deemed necessary including our assessment of the economic, market and monetary conditions that may be applicable to ITC and ITC Hotels. We have also assumed that the final Scheme will be substantially the same as the scheme discussed with and reviewed by us and that there will no material changes between the draft shared with us and the final approved scheme. Any such material changes will require us to reevaluate our opinion herein.

In addition to above, we have had discussions with members of the management of ITC on the past and current business operations of the concerned businesses, their future prospects and operations, and have received a management representation letter from ITC dated August 14, 2023.

Further, we have had discussions with PwC, the valuation advisor, on such matters, which we believed, were necessary or appropriate for the purpose of issuing this Opinion.

Further, we conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as we deemed appropriate in arriving at our opinion.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge ITC and ITC Hotels to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment. We have further assumed that the Proposed Transaction would be carried out in compliance with all the applicable laws, rules and regulations, including section 2(19AA) and other applicable provisions of the Income Tax Act, 1961.

In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in oral or written form, discussed with or reviewed by or for us, or publicly available. We have been given to understand that all information that was relevant for the purpose of our exercise was disclosed to us. With respect to information and data relating to ITC and ITC Hotels provided to or otherwise reviewed by or discussed with us, we have been advised by the respective managements of ITC and ITC Hotels, and we have assumed and relied upon such advice, that such information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of ITC and ITC Hotels as to the potential strategic implications and operational benefits anticipated to result from the Demerger and the other matters covered thereby. We have not conducted any evaluation or appraisal of any assets or liabilities (contingent or otherwise) of ITC or ITC Hotels nor have we evaluated the solvency or fair value of ITC or ITC Hotels, under any laws relating to bankruptcy, insolvency or the Company’s ability to fulfill its obligations towards any class of



investors or third parties. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of ITC or ITC Hotels.

Our Opinion does not factor overall economic environment risk and other risks and is purely based on the information and representations provided to us. We have not assumed the risk of any material adverse change having an impact on the businesses of ITC or ITC Hotels in arriving at our final Opinion.

Our Opinion does not address, and we have not assessed, any matters (including any existing or potential contingent liabilities and any ongoing or threatened litigation, including taxation proceedings) which may have an impact, adverse or otherwise, on the business, operations or prospects of ITC, ITC Hotels or their affiliates or any underlying assumptions or views of the management of ITC or ITC Hotels. We have relied upon and not independently verified or validated, nor do we express any opinion on, the financial, market, and technical data provided to or obtained by us or the management's views on the businesses, operations and prospects or any underlying assumptions for the same.

We have assumed, with your consent, that the Demerger will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement. We have further assumed that such approvals, consents and releases will be duly obtained as required pursuant to the Scheme, without any undue delays. Representatives of ITC have advised us, and we further have assumed that the final terms of the Scheme will not vary from those set forth in the Draft Scheme reviewed by us. Further, we have assumed that there will not be any adverse rulings or proceedings whatsoever (whether of any court, regulatory body or otherwise) arising out of or in relation to the Demerger as contemplated by the Scheme.

Our Opinion does not address, and we have not assessed, any legal, regulatory, taxation or accounting matters. We have also assumed that all aspects of the Demerger and any other transaction contemplated in the Draft Scheme would be in compliance with applicable laws and regulations; and we have issued this Opinion on the understanding that we would not in any manner verify, or be responsible for ensuring, such compliance. We have also assumed that the Demerger will not result in any adverse effect on ITC, ITC Hotels or their respective businesses, whether under tax or other laws or under the terms of any license or approval.

Our Opinion is restricted to the fairness, from a financial point of view, of the Share Entitlement Ratio, as determined by PwC in its Share Entitlement Ratio Report, and we express no view as to the fairness (financial or otherwise) to the holders of any other class of securities or creditors of ITC, ITC Hotels or any of their affiliates. Our Opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance, shareholder rights or any other equitable considerations. We are not providing you with any investment advice in connection with the Demerger including any advice (from an investment perspective) or any trading strategy. Further, ITC will remain solely responsible for the commercial assumptions on which the Opinion provided by us is based and for its decision to proceed with the Demerger. Further, our opinion does not take into account any corporate actions of any of ITC and ITC Hotels after the date hereof, including payment of dividends. We are not expressing any opinion as to what the value of the ITC Hotels equity shares actually will be when issued pursuant to the



Demerger. Our opinion is not to be treated as a valuation of any securities of ITC, ITC Hotels or their respective affiliates under any laws or otherwise.

A valuation estimate for any transaction does not necessarily suggest that a market exists for the transaction. We express no view as to, and our Opinion does not address, the underlying business decision of ITC to effect the Demerger, the relative merits of the Demerger as compared to any alternative business strategies that might exist for ITC or the effect of any other transaction in which ITC might engage. We also express no view as to, and our Opinion does not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the Demerger, or any class of such persons, relative to the Share Entitlement Ratio. We express herein no view or opinion as to any terms or other aspects of the Demerger or the Scheme (other than the Share Entitlement Ratio, as determined by PwC in its Share Entitlement Ratio Report, to the extent expressly specified herein). Our Opinion is necessarily based upon information available to us, and financial, stock market and other conditions and circumstances existing, as of the date hereof.

Our Opinion does not constitute a recommendation to any shareholder or creditor of ITC or ITC Hotels as to how such shareholder or creditor should vote on the Proposed Transaction or any matter related thereto. In addition, this Opinion does not address the fairness to, or any other consideration, to the creditors or other constituencies of ITC. We are not expressing any opinion herein as to the prices at which the ordinary shares of ITC will trade following the announcement or consummation of the proposed transaction or as to the prices at which the ordinary shares of ITC may be transacted.

ITC has executed the engagement letter (the “**Kotak EL**”) in relation to our services in connection with the delivery of this Opinion and for providing certain advisory services to ITC in connection with the Proposed Transaction. We will receive fees from ITC for these services and ITC has also agreed to indemnify us against certain claims arising under Kotak EL.

We or our affiliates in the past five years have provided, and currently provide, services to ITC and/ or ITC Hotels and/ or their affiliates unrelated to the Proposed Transaction for which we or such affiliates have received and expect to receive compensation, including, without limitation as lenders and creditors to ITC and ITC Hotels (as the case may be).

In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of our customers and, accordingly, may at any time hold long or short position in such securities, in strict compliance with the applicable laws. In addition, we and our affiliates maintain relationships with ITC and ITC Hotels and their respective affiliates.

This Opinion is provided solely for the benefit of the Board of Directors of ITC and is for the purpose of submission to the Stock Exchanges under the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 and shall not confer rights or remedies upon, any shareholder of ITC, or ITC Hotels, or any other person including any company involved in the Scheme other than the Board of Directors of ITC and shall not be used for any other purpose. This Opinion may not be used or relied upon by nor is it issued for the benefit of any third party for any purpose whatsoever or disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. Provided however, this opinion may only be disclosed and included in

filings as may be required under any applicable law in India and may be kept open for inspection by shareholders of ITC and ITC Hotels, but we take no responsibility or liability for or arising out of any such disclosure. We specifically disclaim any responsibility to any third party to whom this Opinion may be shown or who may acquire a copy of this Opinion.

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance, and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion, the courts of competent jurisdiction at India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, our work as merchant bankers, our work as described above, and other factors that we deem relevant, it is our view that, as of the date hereof, the proposed Share Entitlement Ratio recommended by PwC, in its Share Entitlement Ratio Report dated August 14, 2023, is fair and reasonable from a financial point of view to the shareholders of ITC.

Yours faithfully,

For Kotak Mahindra Capital Company Limited



Authorised Signatory