



ITC Limited

Virginia House

37 J. L. Nehru Road

Kolkata 700 071, India

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14th August, 2023

The Manager
Listing Department
National Stock Exchange of
India Ltd.
Exchange Plaza,
Plot No. C-1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

The General Manager
Dept. of Corporate Services
BSE Ltd.
P. J. Towers
Dalal Street
Mumbai 400 001

The Secretary
The Calcutta Stock
Exchange Ltd.
7, Lyons Range
Kolkata 700 001

Dear Sirs,

Further to our letters dated 24th July, 2023 and 31st July, 2023, we write to inform that, the Board of Directors of the Company ('the Board') at the meeting held today i.e., 14th August, 2023, has subject to necessary statutory and regulatory approvals, considered and approved the Scheme of Arrangement amongst ITC Limited ('Demerged Company') and ITC Hotels Limited ('Resulting Company') and their respective shareholders and creditors under Sections 230 to 232 read with other applicable provisions of the Companies Act, 2013 ('Scheme').

The said Scheme involves the demerger of the Demerged Undertaking (*as defined in the Scheme*) comprising the Hotels Business (*as defined in the Scheme*) of the Demerged Company into the Resulting Company on a going concern basis and in consideration, the consequent issuance of equity shares by the Resulting Company to all the shareholders of the Demerged Company in accordance with the Share Entitlement Ratio i.e. "*for every 10 (Ten) Ordinary Shares of face and paid-up value of Re. 1 each held in the Demerged Company, 1 (One) equity share of face and paid-up value of Re. 1 in the Resulting Company*".

Further details as required under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circular dated 13th July, 2023, are given in the **Enclosure**.



A copy of the Investor Presentation providing further details on the subject matter is also attached.

The Board Meeting commenced at 3.30 p.m. and concluded at 4.30 p.m.

Yours faithfully,
ITC Limited

(R. K. Singhi)
Executive Vice President &
Company Secretary

Enclosed: a/a



cc: Securities Exchange Commission
Division of Corporate Finance
Office of International Corporate Finance
Mail Stop 3-9
450 Fifth Street
Washington DC 20549
U.S.A.

cc: Societe de la Bourse de Luxembourg
35A Boulevard Joseph II
L-1840 Luxembourg

Enclosure

Sl. No.	Particulars	Details
1.	Brief details of the division(s) to be Demerged	<p>The Demerged Undertaking (<i>as defined in the Scheme</i>) consisting of the businesses, undertakings, assets, activities, operations and properties of ITC Limited ('Demerged Company' or 'Company' or 'ITC'), related to or pertaining to the conduct of, or the activities of the Hotels Business (<i>as defined in the Scheme</i>), on a going concern basis.</p> <p>"Hotels Business" includes the business of owning, licensing, operating, managing, servicing, marketing, accommodating and supervising the operations of hotels and includes dining and banqueting services, etc.</p>
2.	Turnover of the demerged division and as percentage to the total turnover of the listed entity in the immediately preceding financial year / based on financials of the last financial year;	<p>The turnover of the Demerged Undertaking for the year ended 31st March, 2023 was Rs. 2573.22 Crores representing 3.7% of the total standalone turnover of the Company for the year ended 31st March, 2023.</p>
3.	Rationale for demerger	<p>ITC is a diversified company engaged in various businesses including hotels. The Hotels Business of ITC includes ownership/ licensing/ management of several hotel properties and providing services including accommodation, dining, banqueting, etc.</p> <p>The Hotels Business of ITC has matured over the years and is well poised to chart its own growth path and operate as a separate listed entity in the fast-growing hospitality industry whilst continuing to leverage ITC's institutional strengths, strong brand equity and goodwill. Therefore, the Scheme is being proposed to segregate Hotels Business from Remaining Business of ITC and demerge it into the Resulting Company.</p> <p>The proposed Scheme would be in the best interests of the Companies and their respective shareholders, employees, creditors and other stakeholders for the following reasons:</p> <p>a. The confluence of favourable factors such as rising societal aspirations, strong macro-economic fundamentals of the country, Government of India's thrust on the Travel & Tourism industry and infrastructure creation along with rapid digitalization present immense opportunities for the Hotels Business going forward, though distinct from the other businesses of the Demerged Company.</p>

Sl. No.	Particulars	Details
		<p>b. In light of the distinctive profile of the hospitality industry, housing the Hotels Business in a separate listed entity would enable crafting of the next horizon of growth and sustained value creation for shareholders through sharper focus on the business anchored on a differentiated strategy aligned with industry specific market dynamics.</p> <p>c. The Resulting Company is a newly incorporated entity which will have the ability to raise capital from equity and debt markets towards funding its growth requirements.</p> <p>d. The Resulting Company as a focused entity would attract the right sets of investors, strategic partners and collaborations, whose investment strategies and risk profiles are aligned more sharply with the hospitality industry.</p> <p>e. The Scheme would unlock value of the Hotels Business for existing shareholders of the Demerged Company through independent market driven valuation of their shares in the Resulting Company which will be listed pursuant to the Scheme, along with the option and flexibility to remain invested in a pure play hospitality focused listed entity.</p> <p>f. The Scheme will ensure long term stability and strategic support to the Resulting Company and also enable the leveraging of cross synergies between the two Companies.</p>
4.	Brief details of change in shareholding pattern (if any) of all entities	<ul style="list-style-type: none"> • There will be no change in the shareholding pattern of ITC. • Upon this Scheme becoming effective and in consideration of the transfer and vesting of the Demerged Undertaking from ITC to the Resulting Company in terms of this Scheme, the Resulting Company shall, issue and allot equity shares, to all the members of ITC, holding fully paid-up equity shares on the Record Date in the following manner: <p style="margin-left: 40px;"><i>“for every 10 (Ten) Ordinary Shares of face and paid-up value of Re. 1 each held in the Demerged Company, 1 (One) equity share of face and paid-up value of Re. 1 in the Resulting Company”</i></p> <p>Post the implementation of the Scheme, the shareholders of ITC will directly hold about 60% in the Resulting Company, proportionate to their shareholding in ITC; the balance stake of about 40% in the Resulting Company will be held by ITC.</p>

Sl. No.	Particulars	Details
		<p>Overall, the shareholders of ITC will hold 100% of the ultimate beneficial economic interest in the Hotels Business (direct holding of about 60% and indirect holding of about 40% through ITC).</p>
5.	<p>In case of cash consideration - amount or otherwise share exchange ratio</p>	<p>No cash consideration is payable under the Scheme. The consideration for demerger shall be discharged by issue of equity shares by the Resulting Company as follows:</p> <p><i>“for every 10 (Ten) Ordinary Shares of face and paid-up value of Re. 1 each held in the Demerged Company, 1 (One) equity share of face and paid-up value of Re. 1 in the Resulting Company”</i></p> <p>Based on above share entitlement ratio, if any shareholder(s) is entitled to fractional shares, then such fractional shares shall be consolidated and issued to trustee(s) who shall sell such shares and the net sale proceeds will be distributed by the trustee(s) to such shareholders in proportion to their respective fractional entitlements, in accordance with SEBI Master Circular dated 20th June, 2023.</p>
6.	<p>Whether listing would be sought for the resulting entity</p>	<p>Yes, the Resulting Company is proposed to be listed on the BSE Limited and the National Stock Exchange of India Limited.</p>



Enduring Value

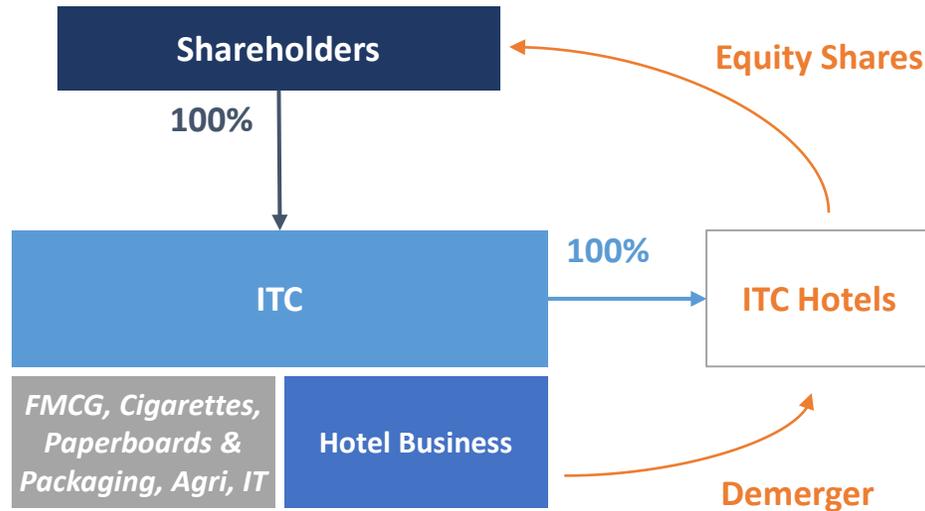
NATION FIRST: SAB SAATH BADHEIN

Updates on the Proposed Demerger of Hotels Business Investor Presentation

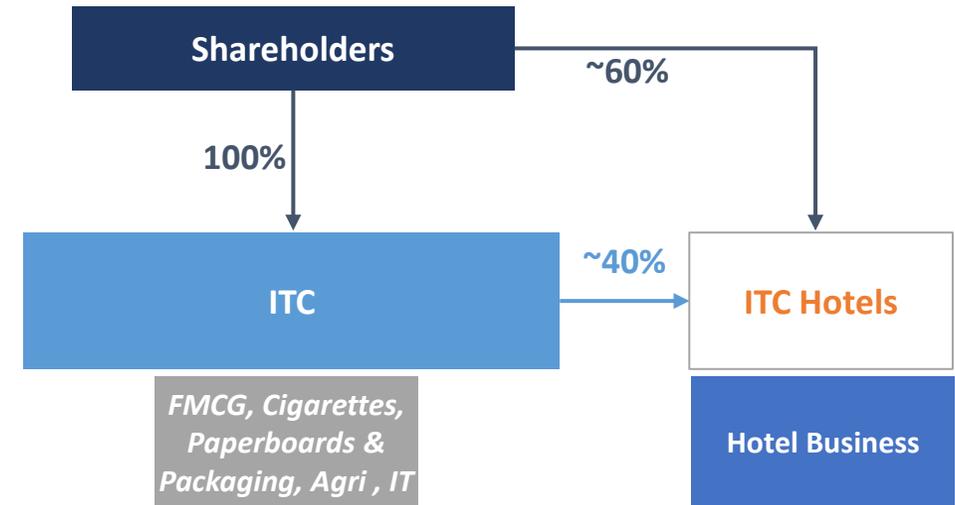
14th August, 2023

This presentation contains certain forward-looking statements including those describing the Company's strategies, strategic direction, objectives, future prospects, estimates etc. Investors are cautioned that "forward looking statements" are based on certain assumptions of future events over which the Company exercises no control. Therefore there can be no guarantee as to their accuracy and readers are advised not to place any undue reliance on these forward looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. These statements involve a number of risks, uncertainties and other factors that could cause actual results or positions to differ materially from those that may be projected or implied by these forward looking statements. Such risks and uncertainties include, but are not limited to: growth, competition, acquisitions, domestic and international economic conditions affecting demand, supply and price conditions in the various businesses in the Company's portfolio, changes in Government regulations, tax regimes and other statutes, and the ability to attract and retain high quality human resource.

Proposed Demerger



Resultant Structure



Transaction Overview

- Demerger of ITC's Hotel Business into ITC Hotels through a scheme of arrangement to be approved by National Company Law Tribunal
 - ITC Hotels to issue equity shares directly to the shareholders of ITC in a manner that about 60% stake is held directly by ITC shareholders proportionate to their shareholding in ITC and remaining about 40% stake to continue with ITC
- Overall, existing ITC shareholders will hold 100% of ITC Hotels, i.e. about 60% directly and balance of about 40% through their shareholding in ITC

- 1 Hotels Business has matured over the years; well poised to chart its own growth path as a separate entity**
 - *Asset Right strategy to accelerate growth whilst continuing to leverage ITC's institutional strengths & brand equity*

- 2 Creation of a separate Pure Play Hotels entity to enable crafting the next horizon of growth & sustained value creation for shareholders**
 - *Sharper business focus anchored on a differentiated strategy aligned with industry specific market dynamics*

- 3 New entity would operate with an optimal capital structure, with the ability to access equity / debt markets for funding growth requirements**
 - *Ability to attract the right set of investors / strategic partners / collaborations → Investment strategies & risk profiles aligned more sharply with Hospitality industry*

- 4 Unlock Value for ITC shareholders**
 - *Direct stake to existing ITC shareholders in a pure play Hotels entity*
 - *Independent market driven valuation of focused new entity*
 - *Continued access to cross synergies*
 - *Reinforce ITC's sharper capital allocation strategy*

Rationale for Retaining 40% stake in ITC Hotels



ITC Hotels will operate as an **independent hospitality focused listed entity**; it will continue to **leverage ITC's institutional strengths, strong brand equity and goodwill**



Create a **strong foundation** for accelerating growth and sustained value creation by providing **long-term stability** and **strategic support** to ITC Hotels

Instill a sense of assurance among stakeholders including partners & employees



Enable **continued access to synergies** for both ITC and ITC Hotels



Proposed Transaction

- Board accorded approval to **demerge the Hotels Business** of ITC into ITC Hotels which would be **listed pursuant to scheme of demerger**
- ITC shareholders to hold about **60% direct stake** in ITC Hotels (proportionate to their stake in ITC); remaining about **40% stake to continue** with ITC
- **100% economic interest** will continue to be held by ITC shareholders in Hotels Business



Transaction Perimeter¹

- **Properties, assets, investments, employees, liabilities and contracts** forming part of the **Hotels business** to be transferred
- **Intellectual property / trademarks exclusively** used in Hotels Business will be transferred
- ITC Hotels to be given a license to use the 'ITC' name as part of its corporate name & some of its properties / brand names, subject to customary conditions
- Suitable commercial arrangements for common assets & shared services



Key Approvals Required

- Scheme of demerger is subject to necessary approval from shareholders, creditors, stock exchanges, SEBI, NCLT and other regulatory authorities, as required
- **Indicative timeline** for listing of ITC Hotels: **~15 months**

¹ Subject to requisite approvals



Properties, assets, investments, employees, liabilities & contracts forming part of Hotels Business are intended to be transferred

- *Transfer of some properties (on leasehold land) require prior approval / consent from lessors / regulators*
- *Common assets such as offices, managerial/staff housing, etc. would either be transferred or leased/made available to ITC Hotels through suitable commercial arrangements*



Investments in Hospitality Entities forming part of Hotels Business to be transferred to ITC Hotels

- *Bay Islands Hotels Ltd.; Fortune Park Hotels Ltd.; Landbase India Ltd.; Srinivasa Resorts Ltd.; WelcomHotels Lanka Pvt. Ltd.; Gujarat Hotels Ltd.; International Travel House Ltd.; Maharaja Heritage Resorts Ltd.*
- *Financial (EIH Ltd. & HLV Ltd.) and non-operational (Logix Developers Pvt. Ltd.) Investments not proposed to be transferred*



Intellectual property / trademarks exclusively used in relation to Hotels Business will be transferred to ITC Hotels

- *ITC Hotels would be given a license to use 'ITC' prefix as part of its corporate name & also as part of some of its properties / brand name for a suitable fee, subject to customary conditions*
- *Trademarks jointly used by ITC's other businesses and Hotels Business will be licensed to ITC Hotels, on mutually agreed terms*



Employees engaged in / related to Hotels Business to be transferred to ITC Hotels

- *Employment terms to be no less favourable than their existing terms of employment with the Company*
- *Transferred employees to be deemed to become employees of ITC Hotels without any break or interruption in service*

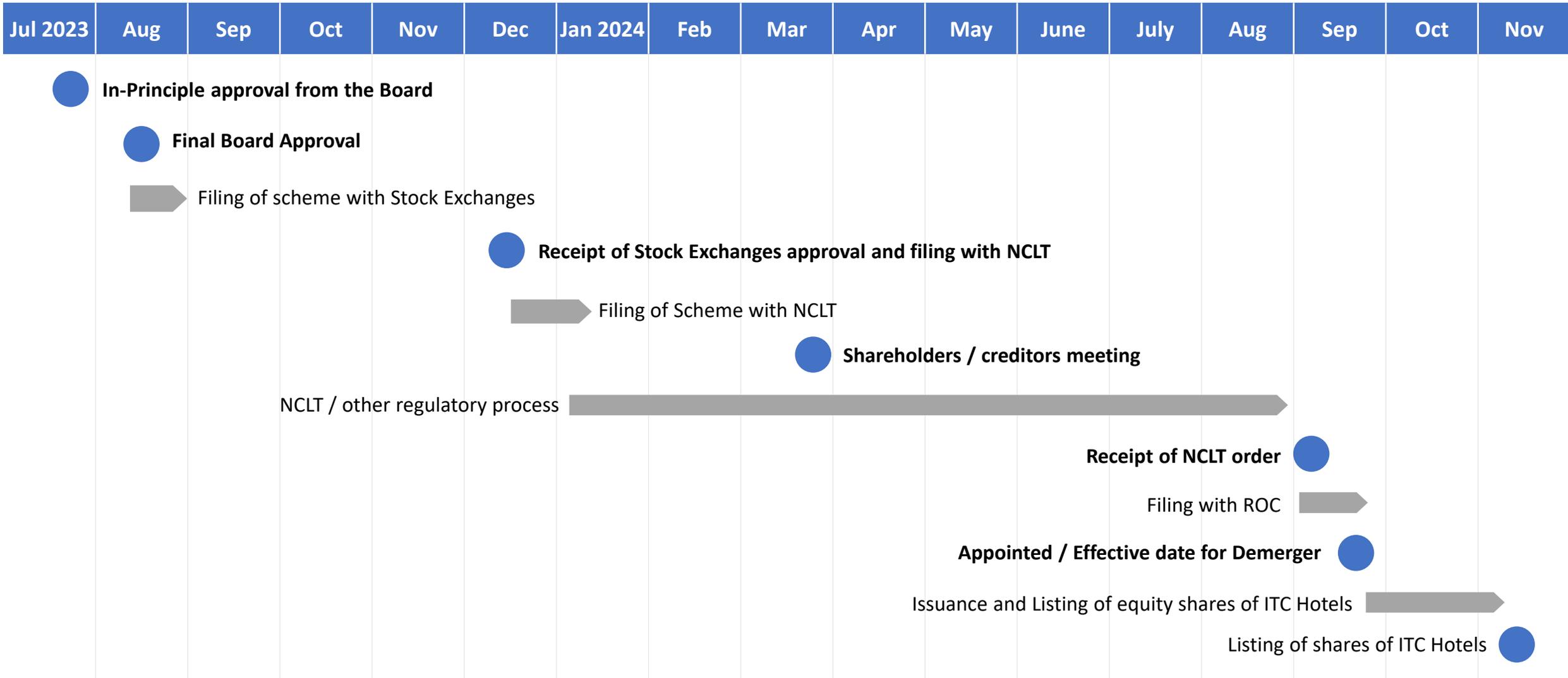
- Unlike mergers / demergers involving different sets of shareholders, **100% of the ultimate economic beneficial interest of Hotels Business will remain with ITC shareholders** – 60% directly, 40% through ITC
Consequently, **share entitlement ratio** need not be determined based on **fair valuation** of the relevant companies
- Number of shares an ITC shareholder is entitled to in ITC Hotels determined basis **Share Entitlement Ratio**, which -
 - is a **function of the Share Capital** (i.e. no. of shares) of the two companies
 - has **no bearing on the market capitalization** of ITC Hotels; only on price per share

Share Entitlement Ratio: For every 10 shares held in ITC, ITC shareholders to get 1 share of ITC Hotels

Particulars	Reference	Value
Total no. of equity shares of ITC Hotels (pre demerger)	A	83 cr.
Equity stake of ITC in ITC Hotels (post demerger)	B	40%
Total no. of equity shares of ITC Hotels (post demerger)	C = (A/B)	208 cr.
No. of equity shares of ITC Hotels to be issued to ITC's shareholders	D = C - A	125 cr.
Total no. of equity shares of ITC	E	1246.5 cr.
Number of ITC shares against which 1 share of ITC Hotels will be issued (rounded off)	E/D	10

Note: Above Share Entitlement Ratio has been recommended by an independent Registered Valuer

Key Approvals and Indicative Timelines



Indicative timelines for listing of ITC Hotels is ~15 months

Financial Advisor & Fairness Opinion Provider



**Valuer (PwC Business Consulting Services)
Tax Advisor (Price Waterhouse & Co)**



Legal Advisor





THANK YOU