



ITC Limited
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Undertaking in relation to the non-applicability of Paragraph A(10)(b) read with Paragraph A(10)(a) of Part I of the master circular dated June 20, 2023 issued by the Securities and Exchange Board of India (“SEBI”) bearing reference no. SEBI/HO/CFD/POD 2/P/CIR/2023/93, as amended from time to time (“SEBI Scheme Circular”), pertaining to obtaining approval of the majority of public shareholders.

1. Background

- 1.1. This is with reference to the proposed scheme of arrangement amongst ITC Limited (“Demerged Company” or “Company”), ITC Hotels Limited (“ITC Hotels” or “Resulting Company”) and their respective shareholders and creditors in accordance with Section 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Scheme”).
- 1.2. The Scheme *inter alia* provides for demerger of the Demerged Undertaking (*as defined in the Scheme*) of the Company comprising the Hotels Business (*as defined in the Scheme*) into the Resulting Company, which is a wholly-owned subsidiary of the Company, on a going concern basis and the consequent issuance of equity shares by the Resulting Company to all the shareholders of the Company in accordance with the Share Entitlement Ratio (*as defined in the Scheme*).

2. Requirements under the SEBI Scheme Circular

- 2.1. The SEBI Scheme Circular mandates all listed companies to ensure that the scheme submitted with the National Company Law Tribunal (“NCLT”) for sanction shall be acted upon in certain cases as specified in Paragraph A(10)(b) of Part I of the SEBI Scheme Circular only if the votes cast by the public shareholders in favour of the scheme are more than the votes cast by the public shareholders against the scheme.
- 2.2. Further, in terms of Paragraph A(10)(c) of Part I of SEBI Scheme Circular, the listed entity is required to provide an undertaking certified by the auditor and duly approved by the board of directors of the company stating the reasons for the non-applicability of the requirements set out in Paragraph A(10)(a) read with the conditions prescribed in Paragraph A(10)(b) of Part I of the SEBI Scheme Circular.
- 2.3. Accordingly, the Company hereby undertakes that the requirements stated at Paragraph A(10)(a) read with paragraph A(10)(b) of Part I of the SEBI Scheme Circular pertaining to obtaining approval of the majority of public shareholders are not applicable to the Scheme for the reasons mentioned in Paragraph 3 below.
- 2.4. All capitalized terms used but not defined in this undertaking shall have the same meanings assigned to them under the SEBI Scheme Circular.

3. Reasons for non-applicability

The reasons for non-applicability of obtaining approval of majority of public shareholders to the Scheme are as follows:

3.1. Paragraph A(10)(b)(i) of Part I of the SEBI Scheme Circular

Where additional shares have been allotted to Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the listed entity

Reason for non-applicability: The listed entity i.e., the Demerged Company does not have any shareholder categorized as promoter or promoter group. All shareholders of the Demerged Company are public shareholders. Accordingly, the provisions of Paragraph A(10)(b)(i) of Part I of the SEBI Scheme Circular would not be applicable to the Scheme.

3.2. Paragraph A(10)(b)(ii) of Part I of the SEBI Scheme Circular

Where the Scheme of Arrangement involves the listed entity and any other entity involving Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group

Reason for non-applicability: The listed entity i.e., the Demerged Company does not have any shareholder categorized as promoter or promoter group. All shareholders of the Demerged Company are public shareholders. The Scheme involves the Demerged Company and its wholly owned subsidiary i.e., the Resulting Company. Accordingly, the Scheme does not involve any arrangement between the Demerged Company and any other entity involving Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the Demerged Company.

3.3. Paragraph A(10)(b)(iii) of Part I of the SEBI Scheme Circular

Where the parent listed entity has acquired, either directly or indirectly, the equity shares of the subsidiary from any of the shareholders of the subsidiary who may be Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the parent listed entity, and if that subsidiary is being merged with the parent listed entity under the Scheme

Reason for non-applicability: The listed entity i.e., the Demerged Company does not have any shareholder categorized as promoter or promoter group. All shareholders of the Demerged Company are public shareholders. Accordingly, the provisions of Paragraph A(10)(b)(iii) of Part I of the SEBI Scheme Circular would not be applicable to the Scheme.



3.4. Paragraph A(10)(b)(iv) of Part I of the SEBI Scheme Circular

Where the scheme involving merger of an unlisted entity results in reduction in the voting share of pre-scheme public shareholders of listed entity in the transferee / resulting company by more than 5% of the total capital of the merged entity

Reason for non-applicability: The Scheme does not involve merger of the unlisted company i.e., the Resulting Company into the Demerged Company. Accordingly, the provisions of Paragraph A(10)(b)(iv) of Part I of the SEBI Scheme Circular would not be applicable to the Scheme.

3.5. Paragraph A(10)(b)(v) of Part I of the SEBI Scheme Circular

Where the scheme involves transfer of whole or substantially the whole of the undertaking of the listed entity and the consideration for such transfer is not in the form of listed equity shares

For the purpose of this clause, the expression “substantially the whole of the undertaking” in any financial year shall mean twenty per cent or more of value of the company in terms of consolidated net worth or consolidated total income during previous financial year as specified in Section 180(1)(a)(ii) of the Companies Act, 2013.

Reason for non-applicability: The Scheme envisages a demerger of the Hotels Business of the Demerged Company into its wholly-owned subsidiary, i.e. the Resulting Company. As per the audited consolidated financials of the Demerged Company for the financial year ended March 31, 2023, the value of the Hotels Business is less than 20% of the consolidated net worth and consolidated total income during the previous financial year in terms of Section 180(1)(a)(ii) of the Companies Act, 2013. Further, the consideration for the demerger is in the form of equity shares of the Resulting Company, which are proposed to be listed on the stock exchanges. Accordingly, the provisions of Paragraph A(10)(b)(v) of Part I of the SEBI Scheme Circular would not be applicable to the transaction contemplated pursuant to the Scheme.

In view of the aforesaid, the requirement of obtaining approval of majority of public shareholders, as stated at Paragraph A(10)(b) of Part I of the SEBI Scheme Circular is not applicable to the Scheme.

This undertaking is being issued pursuant to the requirement under Paragraph A(10)(c) of Part I of the SEBI Scheme Circular.

Yours faithfully,

ITC Limited



(R.K. Singhi)

**Executive Vice President &
Company Secretary**

Date: 14th August, 2023

Place: Kolkata

Certificate for non-applicability of requirements prescribed in Part I (A)(10)(b) read with Part I (A)(10)(a) of Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 issued by Securities and Exchange Board of India, as amended from time to time ("SEBI Master Circular") pertaining to obtaining approval of the majority of public shareholders

To,
The Board of Directors,
ITC Limited
37, J.L. Nehru Road,
Kolkata – 700 071, India

1. This Certificate is issued in accordance with the terms of our service scope letter dated August 03, 2023 read with master engagement agreement dated August 2, 2019 with ITC Limited (hereinafter the "Company").
2. We, S R B C & CO LLP, Chartered Accountants, the statutory auditors of the Company, have been requested by the Company to examine the undertaking approved by the Board of Directors in its meeting held on August 14, 2023 (the "Undertaking") stating the reasons for non-applicability of paragraph 10(b) read with paragraph 10(a) of Part I (A) of the SEBI Master Circular pertaining to obtaining approval of the majority of public shareholders. The said Undertaking has been prepared by the Management of the Company and signed by us for identification, pursuant to the requirements under paragraph 10(c) of Part I (A) of the SEBI Master Circular in connection with the proposed scheme of arrangement between the Company and ITC Hotels Limited and their respective shareholders and creditors for demerger of the Demerged Undertaking (as defined in the Scheme) of the Company into the ITC Hotels Limited pursuant to Section 230 to 232 and other applicable provisions of the Companies Act, 2013 and SEBI Master Circular (hereinafter referred to as the "Scheme").

Management's Responsibility

3. The preparation of the Undertaking is the responsibility of the management of the Company including the creation and maintenance of all accounting and other records supporting the contents of the Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Undertaking.
4. The management is also responsible for ensuring that the Company complies with the requirements of the aforesaid SEBI Master Circular and Companies Act 2013, in relation to the Scheme and for providing all the information to the Securities Exchange Board of India (SEBI) and the BSE Limited, National Stock Exchange of India Limited and Calcutta Stock Exchange of India Limited (collectively referred to as "Stock Exchanges").

Auditor's Responsibility

5. Pursuant to the requirements of the SEBI Master Circular, our responsibility is to express reasonable assurance on whether the conditions prescribed in paragraph 10(b) read with paragraph 10(a) of Part I (A) of the SEBI Master Circular pertaining to obtaining approval of the majority of public shareholders as set out in the Undertaking are applicable to the Scheme.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
8. Our examination did not extend to any aspects of a legal or propriety nature in the Scheme and compliances thereof other than the matters referred to in this certificate.
9. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate audit evidence on the applicable criteria, mentioned in paragraph 5 above. Accordingly, we have performed the following procedures in relation to the Undertaking:
 - a) Obtained a copy of the Scheme as approved by the Board of Directors in its meeting dated August 14, 2023.



SRBC & CO LLP

Chartered Accountants

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- b) Obtained a certified copy of the Undertaking as per the SEBI Master Circular.
- c) Reviewed the copy of the Scheme and the Undertaking given by the Company and verified whether:
 - i) The Scheme envisages any additional allotment of shares to Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the Company;
 - ii) There is a scheme of arrangement between the Company and any other entity involving the Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group;
 - iii) The Company has acquired, directly or indirectly, the equity shares of the subsidiary, from any of the shareholders of the subsidiary who may be Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the Company, under the Scheme;
 - iv) The Scheme envisages merger of an unlisted entity which results in reduction in the voting share of pre-scheme public shareholders of listed entity in the transferee / resulting company by more than 5% of the total capital of the merged entity; and
 - v) The Scheme envisages the transfer of the whole or substantially the whole of the undertaking, as defined under the SEBI Circular, of a listed company and the consideration for such transfer is in a form other than listed equity shares.
- d) Performed necessary inquiries with the management and obtained necessary representations from the management

Opinion

10. Based on the procedures performed by us, as referred in paragraph 9 above and according to the information and explanations given to us, we are of the opinion that the conditions prescribed in paragraph 10(b) read with paragraph 10(a) of Part I (A) of the SEBI Master Circular pertaining to obtaining approval of the majority of public shareholders as set out in the Undertaking are not applicable to the Scheme.

Restriction on use

11. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the aforesaid SEBI Master Circular. Nothing in this certificate nor anything said or done in the course of or in connection with the services that are the subject of this certificate, will extend any duty of care we may have in our capacity as auditors of the Company.
12. This Certificate has been issued at the request of the Company and is addressed to and provided to the Company, solely for the purpose pursuant to the requirements of SEBI Master Circular for onward submission to the Stock Exchanges, Securities and Exchange Board of India, National Company Law Tribunal and such other statutory or regulatory authorities as may be required in connection with the Scheme. This Certificate should not be used for any other purpose. Our examination relates to the matters specified in this certificate and does not extend to the Company as a whole. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.

For **SRBC & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Arvind Sethi**
Partner
Membership Number: 89802
UDIN: 23089802BGYPXE3723
Place: Kolkata
Date: August 14, 2023

