“Proposed Demerger of Hotels Business”

July 27, 2023

MANAGEMENT: **MR. SANJIV PURI, CHAIRMAN AND MANAGING DIRECTOR.**
MR. SUPRATIM DUTTA, EXECUTIVE DIRECTOR AND CFO.
MR. NAKUL ANAND – EXECUTIVE DIRECTOR.
MR. ANIL CHADHA – CHIEF EXECUTIVE HOTELS DIVISION.
MR. KARTHIK BHANU – EXECUTIVE VICE PRESIDENT AND HEAD (CORPORATE FINANCE).
MR. BAPPADITYA RAY CHAUDHURI– VICE PRESIDENT AND HEAD (CORPORATE PLANNING)

MODERATOR: **MR. JAYKUMAR DOSHI – KOTAK SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Video Webcast Call to discuss the Proposed Demerger of ITC Hotels.

At this moment, all participants are in listen-only mode. A question and answer session will be conducted towards the end of the session. At that time, you may click on the audio question button below the media player or you may type your questions via the textbox.

I now hand the conference over to Mr. Jaykumar Doshi from Kotak Securities. Thank you and over to you.

Jaykumar Doshi: Thanks, Aman. Good afternoon and a warm welcome to all. We at Kotak Institutional Equities are very pleased to host the ITC Management Team.

We have with us Mr. Sanjiv Puri – Chairman and Managing Director; Mr. Supratim Dutta – Executive Director and CFO; Mr. Nakul Anand – Executive Director; Mr. Anil Chadha – Chief Executive Hotels Division; Mr. Karthik Bhanu – Executive Vice President and Head (Corporate Finance); and Mr. Bappaditya Ray Chaudhuri– Vice President and Head (Corporate Planning). I will now request Mr. Puri for opening remarks. Over to you, sir.

Sanjiv Puri: Thank you, Jay. And may I also welcome all of you and say a very good afternoon to all of you. Thank you all for joining this call. I'm going to make some very brief comments for a couple of minutes and then hand them over to my colleague Supratim to take you through the proposal.

So, let me start by saying that, you are all aware that the tourism industry in India is doing rather well. It has bounced back quite strongly from the difficult days of the pandemic. And it's in a bright spot and the future is looking even brighter, given the macros, given the global attention towards India, as also the policy focus towards this industry. And given the opportunities in this segment, to accelerate growth in the year 2017 you would recollect that we had announced a move towards an asset right strategy and over time, we made appreciable progress, and it's gaining momentum, on a continued basis. In the last 16 months, just as a data point, we opened 18 hotels essentially through the management contracts route. In FY 2019-2020, in the annual report we had said that we would look at alternate structures and that we would look at alternate structures from a perspective of accelerating growth, from a perspective of sustained value creation, and value creation opportunities for shareholders. When I say sustained value creation, it implies that anything that we do in terms of an alternate way of organization, the resultant entities should be better placed than what they were prior to that. It's in this context, if you look at the proposals just to give a little glimpse of the benefits that accrue from it, from an ITC Hotels perspective, to look at accelerated growth. This is the opportune time because there are many opportunities opening up in the industry, there is very clearly a move towards trusted brands. It's a time when immense opportunities are there so stability of the operations, the capacity of the new entity to use the goodwill, the brands, the governance processes and all the institutional strengths of ITC is important for it to get stability and for it to be able to grow on an accelerated path. And as a pure play focused entity, we believe that with an asset right strategy, it will have all the resources to go on a path that is even more accelerated than what it is doing today. Of course, although with an asset right strategy should the entity need capital, it will have the capacity to raise its own capital, through investors, through debt markets, whatever be it, because it's going to have a very strong balance sheet.

From an ITC perspective, the returns ratio improve immensely. It reinforces our stated position on a sharper capital allocation. It is directed towards value unlock of existing shareholders. So, all stakeholders are positioned to benefit from this proposal that we have. And of course, given the manner in which this is structured, the advantage of institutional synergies of both entities remains. And we have spoken to many of you on how these have helped us build newer businesses, how for example, cuisine expertise has been of great help in building food brands, and so on, and so forth, but I won't spend too much time on it.

So, briefly, this is the benefit that we believe will accrue from this proposal and to take you through a little more detail on this, I'm now going to hand over to my colleague Supratim. And after that, we'll come back with to address the questions that you may have. Over to you Supratim.

Supratim Dutta: Thank you, Chairman Sir. Thank you once again, and welcome and good evening to everyone on the call.

My presentation today is on the proposed demerger of the Hotels business. And what I've done is to really break this up into three modules. I'd like to begin by setting the context by providing you with an overview of the Hotels business of ITC, followed by a look at the strategic rationale of the proposed demerger and finally, look at closely the transaction structure elements and the key highlights thereof. So, just to set the context, if some of you are aware, prior to 2004, the ownership of ITC Hotels business was actually split between the Company, ITC Hotels Limited and its subsidiaries. So, back in the day in 2004, nearly 20 years back, ITC Hotels Limited was a separately listed entity and we also had another entity called Ansal Hotels Limited where we had as a group about 90% shareholding. So, we decided to merge the two entities back into ITC with a view to achieving three things. The first was to consolidate the hotels business under one roof that is ITC. The second was to scale up the business in a very rapid manner, given the attractive growth prospects of the Indian travel and tourism industry and bring it back to ITC would really lend a lot of balance sheet strength. You have to also remember that the Company was a rather small one back in 2004, with top line being only about INR 350 crores and bottom line just about INR 50 crores. So, it needed that impetus, it needed that investment led growth path to be chartered in the last 20 years. And that's the key reason why the two entities ITC Hotels Limited and Ansal Hotels were merged back into ITC in 2004. Of course, the merger also led to obtaining fiscal efficiencies and other rationalization of operating costs.

What followed in line with these strategies, this strategy of bringing it back and merging it back into ITC, was a spate of investments. And you can see in this timeline chart that we invested behind this in a big way. Starting with ITC Maratha our first property in Bombay back in 2001, even before the merger actually took place, and ITC Sonar in 2003, our first hotel in Calcutta. This was quickly followed through by a second hotel ITC Grand Central in Bombay, in

2005, the ITC Gardenia in Bangalore in 2009, the marquee property in Chennai - ITC Grand Chola, 2012 and many others thereafter, including the ITC Royal Bengal in 2019. And in the last two or three years, we have completed some of the hotels that were already underway, the latest big hotel being ITC Narmada, which was commissioned in 2022. So, this really is the story of the evolution of this business over the last 20 years. You can see there has been a lot of properties that have been added with the strength of the balance sheet of ITC in this investment led growth phase.

As Chairman alluded earlier in his opening remarks, we pivoted to a strategy refresh, where the focal point was going asset right, having invested in iconic properties, we switched to what we have defined as the asset right strategy with a bouquet of brands which included refreshing the Welcom hotels brand in the upper upscale segment for management properties. We also added Mementos and Storii to cater to varied needs of the new age traveler. And like Chairman again said, we have actually added as many as 18 hotels in the last 16 months itself. And we have a very, very strong pipeline of management contracts under these brands going forward.

The second pillar of our strategy was to invest behind enhancing brand equity, really sharpening the value propositions, really sharpening the differentiators that make ITC Hotel stand apart from the rest of the pack in the industry. Those being of course, the first that comes to mind is the ethos, the whole ethos of responsible luxury, our signature cuisines, a curated experiences, all backed by world class loyalty programs, both from the house of Marriott, which is the Marriott Bonvoy, internationally acclaimed Marriott Bonvoy Program and our own Club ITC and the Club Culinaire Programs.

The third element of our Strategy Refresh was digitalization in a very accelerated way, much like the rest of the Company. But in hotels as well, there’s been a tremendous amount of stepping up of investments in this area. And the touch points of this strategy really benefits in smart revenue management, customer intimacy, and of course driving productivity and efficiency across all nodes of operations.

The fourth pillar of our strategy is capital productivity, which is really about spreading existing assets and you have interventions like the **Club Prive**, for example, which is now being rolled across many properties of our chain across the country. It's about augmenting new revenue streams, like food, takeaway and delivery, like the Sleeep boutiques that you're now seeing across our properties. It's also about the chocolate Fabelle boutiques that we put through. So, how do you create new revenue streams and how do you sweat your existing assets to really produce better return on capital and reduce capital intensity at the same time. This also has been, augmented by an extreme cost focus on extreme focus and margins and I'll talk about that in a moment.

And the fifth very important pillar of our strategy is to become an employer of choice. This is a very people-centric business as all of you know. And we pride ourselves to have a very strong talent pool, leveraging interventions such as the ITC Hotel Management Institute, and the Welcomgroup School for Hotel Administration at Manipal. We have robust L&D programs, and our D&I metrics are amongst the best in the industry at this point of time.

So, from 2004 onwards, if I were to just put this in a chart and see how the business evolved, you will see that the room inventory, which was about 4,500 rooms back in 2003, has galloped all the way to 11,600 rooms, which is 2.6 times where we were about 20 years back. Not only has the scale gone up, what is also very important is the premiumization of this mix of room inventory that we have, a lot of this managed properties have also come in the premium segment, which is again a conscious effort to really drive not only revenues but also profitability. Our revenues like I said earlier, were just INR 350 crores in 2003 that's grown at 11% CAGR over the last 20 years or so to about INR 2,700 crores. Our EBITDA has grown faster at 15% and we ended the year last year at 852 crores all the way from INR 50 crores in 2003 and importantly from FY19 which is just about four years back we have nearly tripled our EBITDA in absolute terms from INR 385 crores to INR 852 crores. In terms of EBIT, our growth has been even faster at 17% CAGR and the same story really unfolds if you look at FY19 to FY23. We nearly tripled our bottom line in this short period of time.

Today ITC Hotels group is a preeminent hospitality chain in India with over 120 hotels, comprising more than 11,600 rooms across 70 destinations. We operate with six marquee brands catering to the luxury and the upper upscale, the boutique segment, the mid to upscale segment and the heritage segment as well. We pride ourselves with iconic properties, these properties actually define the destinations that they are located in. And all of you are quite aware of some of these properties but these have all come up pretty much in the last 20 years barring of course the ITC Maurya, which you can see earlier properties on the right hand side.

Our cuisine expertise manifests itself into offering incredible cuisines for the discerning guests. We pride ourselves in bringing the globe’s finest Indian cuisine and India’s finest global cuisine to guests who come and stay with us and all of you will relate to some of these brands and you can see few new brands have also been added in the last two or three years.

The other very important facet of our strategy and our business is the whole ethos on responsible luxury. And you can see that we have 22 lead platinum certified hotels today. This makes us the largest chain in the world to achieve this feat. We have the first 12 hotels in the world which has received LEED zero carbon certification. We are also the first two LEED zero water certified hotels in our stable, and we have already surpassed the 2030 GHG Sectoral Emission targets set under COP 21 Conference. We are firmly on track on our 2030 goals on sustainability, the Company itself has raised the bar by setting very stiff and ambitious targets for 2030 in terms of sustainability, and the Hotels business is a front runner as well on these counts. So, we are targeting ambitious goals again across net zero carbon, across waste reduction, and also water efficiency within the business.

I talked about digital, very briefly but this is what we’ve done. And all this really has been done in the last few years on the back of the strategy refresh that we haven’t had in 2018. Today, we are the best-in-class mobile application. We are the best-in-class brand website, we are offering frictionless guest experience using the power of technology. We have backed up our loyalty program with cutting edge technologies today that offer instant gratification and pan ITC redemption options. We are increasingly using the enterprise-wide data lake and the marketing command center that has been actually set up in the FMCG part of the business. And using cutting edge social media tools and analytics platforms and the upgraded data lake that we put for the Company to sharp target or go to market and our value propositions for discerning guests.

Growth has been synergistic, the 20 years that you just saw has been possible because of synergies that both the Hotels business derives from the rest of ITC, and vice versa. So, let me just highlight some of the synergies that are important to both ends of the businesses. Of course, the Hotels business gains a lot from the corporate brand reputation of ITC, its goodwill, its institutional strengths, the robust governance and systems and processes that the group as a whole believes in and brings to the table, the high-quality talent access pool that this platform provides, and of course, the globally acclaimed sustainability credentials that both the ITC Brand and ITC Hotels benefit from. Similarly, the Hotels business also contributes in no small way to the rest of ITC, especially with its cuisine knowledge to drive sustainable competitive advantage for ITC's FMCG businesses. This has really been manifested in the last 15 or 20 years in our branded packaged foods in a big way. And of course, in creating new vectors of growth, especially in the food tech space which we are now incubating, we have these cloud kitchens already in Bangalore, and we are now looking to scale this up pan India, of course in a calibrated way and the Hotels business contributes in a very big way to this journey. The Hotels business also provides a tremendous platform for our FMCG brands by providing high quality consumer engagement platforms, and also brand visibility, through the ambience, at the properties, the physical properties that we provide, where, I would say a very affluent set of people come in and visit and therefore engage with our brands. And that's a very, very good asset for the FMCG businesses to leverage upon.

The business has obviously won a lot of marquee awards over the years, I will not take you through all of them here. But suffice it to say that, the business has been recognized both globally and in the domestic industry and we have got, as you can see a host of awards in this direction. Like the Chairman said in his opening remarks, the hospitality industry, which was really disturbed during the pandemic, and you can see the graph here in 2020, and 2021, we had a massive drop in occupancy and even ARRs. The remarkable recovery, the industry has seen over the last two years and you can see the curve really coming back like a V shape recovery and the good news is that we can see that the projections are all saying that over the short to medium term, this momentum is going to be pretty much there. And what really is behind that momentum is of course, the macros are really favorable, growing societal aspirations on the back of affluence for one and a very favorable demographic profile and the confluence of these two with the digital explosion that India is seeing augurs extremely well for the hospitality industry going forward. The more focused macro driver or a structural driver for growth in the industry is the government's thrust on infrastructure and tourism. You can see that the national pipeline, the 50 additional airports, world class convention facilities, 50 integrated tourism destinations and the tourism policy which has set very, very ambitious targets for the industry across factors such as or parameters such as foreign exchange earnings, domestic tourists visits, international tourist arrivals, very, very big ambitions and targets set by the government and there's a tremendous amount of focus coming in both from infrastructure creation and connectivity which also leads into the structural drivers of growth for this industry. On the other hand, of course all of us know that India is perhaps the most under-roomed country in the world and the five year CAGR not even looking at 20 and 15 years, looking at the medium term five years, the supply side is expected to grow by 5%, whereas demand is expected to far outstrip that growing at more than 7%. So, that really is the story of the industry, where we are poised at this point of time.

So, that really brings us to the second module which is about creating the next horizon of growth for ITC Hotels, and we found this time to be the most opportune to, let the Hotels business go and chart its own growth path as a separate entity, because it has matured over the years, it has adopted an asset right strategy, it has got all the brands, the digital interventions are all there for it to leverage. And also, we have the ITC Institutional strengths and the backing and the brand equity and the goodwill of ITC, enabling it to really go out there in the market and sustain its own / chart its own growth path. So, we believe that creation of a separate pure play hotels entity will enable crafting the next horizon of growth and sustained value creation for shareholders, through sharper business focus, and anchor on a strategy which is aligned with industry specific market dynamics. The structure will also enable the new entity to operate with an optimal capital structure with the ability to access equity and debt markets for funding growth requirements. It will also have the ability to attract the right set of investors, the right set of strategic partners and collaborations whose investment strategies are more sharply aligned with that of the hospitality industry. And above all, the unlock value for ITC shareholders is a very important facet of the structure that we have brought to the table, the whole idea was to give a substantial direct stake to existing ITC shareholders in a pure play hotels entity and that's why we chose the structure that has been proposed. We believe that the market will find its independent valuation for this focused new entity and not get lost in some of the parts of the ITC's share price. And we believe that this will actually unlock value going forward. Very importantly also, this move reinforces ITCs sharper capital allocation strategy, which began with the pivot to asset right strategy for hotels in 2018 and was followed through in 2020 by a higher dividend distribution policy that was put out by the Company. So, this move is an addition, is a continuation of that journey of a sharper capital allocation strategy. And I'm sure we'll talk about the impact of this move on our financial metrics in ITC. But I'll leave that for the Q&A section.

So, what is the proposed transaction, you would have read this already by now but very quick recap. The board on 24th of July accorded in-principle approval to demerge the Hotels business of ITC into a new entity. It will be a wholly owned subsidiary to start with and will be listed thereafter pursuant to the scheme of demerger. Under the structure ITC's existing shareholders will hold about 60% direct stake in the hotels Company and proportionate to their stake in ITC and the remaining 40% will continue to be with ITC. So, if somebody owns 10% in ITC today, he or she will own 6% in the Hotels entity and the balance 4% will remain with him through the ITC share that person continues to hold. So, really there is no change in economic interest that's a very important point to understand. There is no change whatsoever in the economic interest of a shareholder which he holds today as part of, by being ITC shareholder in the Hotels business.

So, this is the schematic that explains the way this will work. So, here are the shareholders owning 100% of ITC. Just for representation we've shown the Hotels business separately out here. It's all part of one entity. As all of you know, the first step would be to create a wholly owned subsidiary called Resulting Company in technical parlance. And we then after the approvals from NCLT and all the other regulators, demerge / transfer the Hotels business undertaking into that wholly owned subsidiary. In return as a consideration for this transfer, the new Company, the wholly owned subsidiary issues equity shares to the shareholders of ITC in a manner that ITC shareholders have a direct 60% stake in the new Company and ITC's 100% original stake dilutes to 40%. So, the end result is a 60% direct stake to be owned by shareholders and 40% by ITC Limited.

The key transaction highlights is that like I just mentioned, and that's a very important facet, we wanted to make sure that the existing ITC shareholders get a direct stake in a pure play listed Hotels entity and give them the flexibility and the option to own both the shares and align their holdings according to their strategies and risk profile. It also ensures continued interest of ITC in the business in line with our corporate strategy of multiple drivers of growth. It creates a very strong foundation for accelerating the growth journey and sustained value creation for stakeholders by providing long term stability and strategic support to the Hotels Company. And also, it enables very importantly, as you've seen in my previous slide, enables continuity of cross synergies for both ITC and the Hotels business and actually retains the mutual synergy part even in the new structure which is very important in our consideration.

What is the transaction perimeter, what really is getting transferred while the details will still be available in more detail and we will make the details available in the scheme which we are working on and we will take to the board on the 14th of August but the intention is, we need to transfer the assets, liabilities, contracts and employees all that form part of the Hotels business to the new Company. The Hotels business will also, the new entity, will be given a license to use the ITC name as part of its corporate name and some of its properties names subject to (obviously) the customary conditions. And where there are common assets like residences, like offices, there could be shared services of finance or HR and legal, especially in the transition phase. Obviously, the two companies will explore suitable commercial arrangements all on an arm’s length basis, being related party transactions and we will work on those nuts and bolts once the scheme is presented and approved by the Board of Directors.

So, what are the approvals required from here, first the proposed transaction is subject to final consideration and approval of the Board of Directors and its committees and this will also be placed before them after considering the inputs from advisors that we are working on at this stage. If approved by the Board on the 14th of August the scheme of demerger will be subject to necessary approvals, from shareholders, from creditors, from the stock exchanges, SEBI, NCLT and other regulatory authorities as may be required. So, that’s pretty much my presentation, and we will switch on to the Q&A round after this. So, thank you very much for your patience.

Moderator: Thank you very much. We will now begin the question and answer session. Please restrict your question to ITC Hotels demerger event only as the management won’t be able to take other questions owing to silent period restrictions. Meanwhile many questions have come through the chat box, I would now request Karthik to accommodate a couple of those while we set up the audio queue. Over to you Karthik.

Karthik Bhanu: Thanks Aman. The first question that has come through the chat box is, amongst the many that have come. What is the likely impact of the demerger on ITCs financial ratios?

Sanjiv Puri: So, certainly they will improve substantially, but let me pass it on to Supratim for giving some more data points on this.

Supratim Dutta: Yes, so like you absolutely correctly said, the transfer into a separate Company where we will have 40% residual stake as ITC will therefore, really mean that it is going to be accounted for like an associate on our consolidated balance sheet and it goes out of the segment capital employed overall. So, the segment capital employed, which is 20% today comprising of the Hotels business, that element will obviously go off and so will the segment EBIT which is about 3% to 4% of the total ITC segment EBIT. So, if you look at segment ROCE, which is segment EBIT in aggregate divided by the total segment capital employed in all our operating segments, that ratio to my mind should increase, improve by 18 to 20 percentage points. Of course, these are based on FY23 numbers, the actual numbers will obviously be struck when we get the approvals and do the actual accounting entries. But ballpark, 18% to 20% segment ROCE improvement is something that we should expect. Second, apart from the segment ROCE number is the overall return on invested capital or ROIC, that number we expect to improve by in double digits for sure. ROIC, as you know is post-tax - generally people do a post-tax - so it’s NOPAT on the invested capital. And that ratio should improve by 10 percentage points around that double digit current mark. ROIC is post tax and also invested capital only as the operating assets that are deployed in business operations. So, we believe this is the kind of numbers of course the actuals will come through when we do the accounting entries after the approvals come through. But just to give you a ballpark, that’s the kind of number we’re looking at.

Karthik Bhanu: I will now move on to the second question. How do you think this demerger would be a win-win for both ITC and ITC Hotels?

Sanjiv Puri: Okay. You see as far as ITC Hotels is concerned, as a pure play entity positions itself well to pursue the asset right strategy and chart out on accelerated path, it continues to enjoy the institutional support of ITC. So, that the operations can be stabilized, it has access to the goodwill and the brand assets of ITC. And the fact that this goodwill and brand assets and continuity is there, it’s also something that provides stability to the people, to all the stakeholders, because this is a very people centric business to the partners who have trusted ITC to manage their assets. So, the whole ecosystem is kind of comforted with this arrangement. What this Company will have is a very strong balance sheet, a debt-free balance sheet with very strong assets of something like a few thousand crores and it would have the capacity to fund the asset right strategy. With the free cash flow its generating, it has got a good free cash flows, it is doing well from a profitability perspective. But should there be need to raise capital, it has a strong balance sheet to go to the market, raise capital if it wishes to, it can also raise capital by way of equity or other investors who may be interested. It will also have access to other synergies in the system, be it in digital and so on so forth, or access to some specialized talent. As far as ITC is concerned, it's first of all it definitely improves the return ratios for ITC and Supratim just explained this. It also continues to provide access to ITC with the synergies through the ITC Hotels and I did talk about, I did allude to an example in my introductory remarks. So, that benefit is still preserved and let me also add, the fact is that this structure has been designed to benefit existing shareholders rather than any future shareholders. So, even for the shareholders there is a benefit so in totality, I would say that really all the stakeholders benefit through this arrangement.

Moderator: Thank you.

Karthik Bhanu: Aman if the queue is formed otherwise, I'll just ask one other question which has just come through.

Moderator: Sure, go ahead.

Karthik Bhanu: So, the question here is, what makes ITC Hotels stand out as a hotel Company, what are the competitive advantages or differentiating factors?

Sanjiv Puri: So, Anil, would you like to take this? Well, are you able to hear, you can take this question?

Anil Chadha: Yes, sir I can. I'll answer this question. Thank you. So, starting I'll just highlight some of our new key differentiators. Firstly, the iconic hotels that we have built over the years with the world- class service standards, ITC Hotels have always been recognized as a trailblazer in sustainability. We are the first chain which actually integrated luxury with the best green practices and now the world is moving in that direction. We have a strong sales and marketing, distribution and loyalty network in fact, now we have best of both the worlds with the combination of Marriott Bonvoy and Club ITC. We are extremely well known for our cuisine strengths and the brands that we have built over the years. We have best in class digital architecture backed by center of excellence within ITC, which is actually equipped with the cutting edge tools and analytics for various targeted social media campaigns and engagements. We have built a very strong talent pool over the years and we also leverage ads from ITC HMI which is our management training center and also the WGSHA Manipal which is our hotel school. So, we are well poised and apart from this, we also have strength towards managed hotels, we have a bouquet of brands across all segments, it really depends on the need of the owner and his financial capability, which brand that he would like to go through as sir has mentioned about from luxury to upper upscale midscale Storii in the premium space or fortune and WelcomHeritage. We as an organization, we certainly have a very robust system of governance which provides a lot of expertise in managing assets of owners, whether it comes to brand standards, processes, training, implementations, audits compliances. Another thing which is really coming to fact is we have demonstrated a very good performance over the last few years in this managed hotels portfolio which certainly gives us the right to win.

Karthik Bhanu: Aman if the question queue is formed you can go ahead.

Moderator: Sure, thank you. We will now take the audio questions. The first question is from Abneesh Roy from Nuvama. Please go ahead. It seems there's no response from the current participant. We will move to our next question that is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: My first question is, is there any tax implication of this demerger?

Sanjiv Puri: Okay, do you have any more questions? You could complete the questions as you said that's the first question then we will answer all together.

Percy Panthaki: Sure. And I have one more question that since this is now a separate entity, does that accelerate your expansion plans for the hotel business. And till now, in the recent past, you have pivoted towards the asset light model. So, in order to expand, do you think now with a separate entity, you can take debt equity, et cetera so in addition to the asset light model, you can also expand via sort of putting in capital, and therefore have both these options open to you. Those are my two questions sir.

Sanjiv Puri: Alright. So, let me take the second question first and the first question, I will pass it on to my colleague to answer. So, look, it's like this as far as asset right is concerned, that's the way we would like to go. And that choice has been deliberate because with the investments we have done in the past, ITC Hotels have created iconic brands, iconic properties, iconic cuisines and my colleague alluded to it. We have very strong spending in the industry. And therefore, we feel the next phase of our growth has to be well fueled by an asset right approach where we work with partners to manage their properties. Yes, along the way, if there is a specific investment to be made, or an opportunity for a trophy property comes in, these are things that will get evaluated, but it'll be essentially, asset right. So, the capital requirements are not going to be certainly the manner in which they have been in the past. And, in fact, largely our own assessment bases, the kind of plans we work out internally shows that it can well be funded by the cash flows of the hotels business itself, having said that, should the new entity be required to raise capital, it will be more than well equipped to raise adequate capital for all its growth that it envisages, because it's going to start with a very strong balance sheet a few 1000 crores of assets and no debt. So, it's going to be a very strong balance sheets, good profitability, good free cash flows, and therefore, for it to raise debt is no problem. And of course, any entity does have the facility also to raise equity or bringing other strategic investors those are possibilities that the board of the new entity will determine if and when such is required as such capital infusion is required. But it's going to be more likely a situation where it will be asset right requiring very modest amount of capital. And therefore, that situation of a large amount of debt very, very unlikely to arise unless there is some other strategic plan or opportunity the Board thinks is appropriate. That's something that could happen, but very, very, I would say, that's not on the horizon at this moment, I'm just saying the possibility always exist if they wish to raise capital in some other manner. But that's not really the strategic pivot for this business. So, on the first one Supratim.

Supratim Dutta: Thanks for that. See, Percy thanks for your question first of all, on the tax impact, there are two or three ways to kind of answer your question one from different perspectives. One is, from a Company perspective the transaction is demerger transaction which meets all the conditions of section 2(19AA) of the Income Tax Act, which is about essentially all shareholders of ITC, are being shareholders of the new entity that's one key condition, and there are others, like transfer of book value, consideration settled in terms of shares, and some others, and we meet all those conditions, as per our understanding and our assessment, so it's going to be a tax neutral demerger. As far as the shares that the shareholders of ITC receive of the new entity, that is also not taxable, at this point of time, because of the same demerger origin of the Income Tax Act, the taxation only comes, once the shares are sold by ITC shareholders at that point of time there'll be gains and the provisions will apply. The period of holding, if I may add will be counted from the date of ownership of the ITC share and not the point of time that they get the share of the new entity, so that gets protected. And the other aspect is on indirect taxes, there is no indirect tax, GST implication on the demerger, as well. So, from all accounts is tax neutral, that's the beauty of the structure.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Thanks. Great to see you address the key investor concern, it was a long awaited and good to see it being timed, when the market is also is at its best. So, I have three questions. One is of course, we always see that there is a royalty structure which is there ranging from 3% to 5% in the FMCG multinational companies for example. So, I wanted to understand, ITC post this demerger and listing, will it also be getting royalty and any broad direction you can give us in terms of numbers. I understand those are discussions which will happen later, but some ballpark number that this will be as per the industry norms. The second related question to that is essentially what you also discussed in your opening remarks - currently, ITC and ITC Hotels are working very closely with each other and this is easy given they're part of the same listed Company. Now, after say 18 months, what happens in terms of ITC getting access to the expertise in terms of cuisine or space for branding or FMCG, I'm sure those will continue but my question is, how does the financials work in that. Similarly, in terms of sourcing of food, for example for the ITC Hotels food business or restaurant business, how does the sourcing happen because your agri sourcing obviously will have the best economies of scale. So, that is my first question. Should I go to the number two and number three question or should I stop here?

Sanjiv Puri: Please continue with all the questions and we'll answer them all together.

Abneesh Roy: Sure. Number two is in terms of strategic investors. So, post listing 60% will be owned by essentially the minority investors. So, in the last two years, when you have been evaluating all kinds of structures, and eventually you arrived at this structure, did you also get a lot of interest from strategic investors given you have one of the best locations, such large scale, so I'm not asking whether the deal is going to happen. I'm just asking from your side and from a strategic partner side were there discussions, if you could give us some color. Number three question essentially is, if I see your cigarette business you've 75%- 80% market share, in lot of your FMCG business you had a very strong number one or number two market share, in hotels business if I see very strong position, but when I compared to say the number one listed Company, broadly you will be at half. So, what will be the desire to close that gap given your dominance in rest of your businesses?

Sanjiv Puri: Thank you Abneesh for these questions and the compliments. First of all, as far as royalty is concerned, for usage of the ITC and any brand assets for that matter that will be associated with ITC per se, a lot of it will of course get, will be part of the new Company. But whatever is of ITC, there has to be an arrangement where some royalty will be there. And that will be based on industry benchmarks for this kind of arrangement. The parallel that you gave may not hold in this case we will have to do the benchmarking for this kind of arrangement and see, I won't hazard a number at this point of time, because it's best that the study is done by the advisors, and then we will arrive at the number, but I don't think it's, we don't expect it to be a huge number or something like that. But let's see, let the study get completed. You've asked a very pertinent question on synergy, the synergy will continue and it has to be done very clearly at an arm's length basis, because it's a related party, it will be at an arm's length basis, and these are the details that will be worked out subsequent to the scheme getting finally approved. And of course, one facet of synergy is on account of skills and knowledge itself. And that is possible to be exchanged either way by enabling movement of appropriate resources within the group. So, that's going to be an important element and of course through whether it's sourcing or the access to center of excellence or training and so on, so forth, that will all be at an arm's length basis, if you get enabled through suitable mechanisms. The question on as far as the strategic investors is concerned, see we've not had any discussion because these are not things that are possible to discuss or to be discussed specifically when there is no intent from our side and there is no Board approval. So, really it's very difficult to comment yes, but we have got good assets, good standing in the market, very well performing hotels known for their service and cuisine expertise. And it is natural that investors who are interested in the sector will be interested in the kind of assets and the whole value proposition that we bring to the market but we haven't had discussions because it's not, it was neither right nor could it have been part of the process. Is there something you wish to add Supratim?

Supratim Dutta: Although just to supplement, even today when the foods business and the hotels business are interacting and benefiting from each other's expertise there are often times flows of people, which we just mentioned, Chairman. And sometimes we depute resources from the hotels business to the foods business for example and the cost is picked up completely by the business that is kind of requiring that benefit. So, in the new structure it is going to be only a slight variation to that, there could be a small markup against just the cost. But financially it's not a material impact that we should be kind of worrying about, if Abneesh that the question is, I thought I'll just clarify that.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: I had two questions. The first is, if you could just help us how you got to the 40% stake that you are going to hold in the Company, why not hold a lower stake which could also give you control but give a higher discovery of market value to a larger proportion of investors. So, just a thought process on the percentage stake that you are retaining. And the second question was that the Hotels business, of course, has relatively lower inter linkages with your rest of your businesses compared to the others. So, this type of structure at a certain stage is it something which could be contemplated for any of the other businesses. Or we would consider that this inter linkages are lot more in some of the other businesses. Thank you.

Sanjiv Puri: Thank you. Could you clarify the second question? Could you clarify a little more what your second question is, before I answer? I want to make sure that I have understood it properly.

Arnab Mitra: Yes, my question was that with a similar structure we have been evaluated for any of your other businesses at a later stage or are they inter linkages significantly larger within your core business and let's say FMCG, or paper or other businesses where it will be difficult to look at a structure like this where the Company list separately and you have a minority stake in it?

Sanjiv Puri: Okay. So, your question is that any of the other businesses going to be demerged, if I understood it correctly, right?

Arnab Mitra: Yes, sir at a certain stage.

Sanjiv Puri: So, our guiding principles and this is something that I've always said is that we will do what is best for sustained value creation and how we organize ourselves for sustained value creation depends on the maturity of each business, depends on the business strategy, depends on the industry dynamic, and our own state of evolution. So, when we look at this context, obviously there will be a set of pros and cons to each arrangement. So, we need to look at both and decide which is the right way that will enable that business to be on a stronger footing or rather the result in both, the resultant entities each to be on a stronger footing and to competitive and to be even more competitive than they have been in the past. So, the analysis of that will determine what we will do. Nothing is cast in stone. Some time back Supratim also alluded to the fact that hotels was a separate business was brought in, some time back paper was a separate business it was brought in for a purpose. So, nothing is cast in stone each has to be objectively evaluated from this perspective and we will do what is right for sustained value creation. There is nothing on the table right now, but this is the broad principle and we review this from time to time and it is through such a process that in the year FY19-20 that a view came, that this is the best way forward as far as hotels is concerned. As far as the 40% point is concerned, as I mentioned earlier, whole objective is for the new entity to thrive and grow in a much faster fashion than it's been in the past. So, it needs to be given stability, it needs to be given access to all the goodwill, the brand assets, the domain expertise, whether it's in digital or whichever area is relevant for its growth and success. It needs to give a lot of comfort to all the stakeholders whether the partners, the employees, because this is a very employee centric business and at the same time, this structure enables it to go as a pure play independent entity managed by its Board with undiluted focus in the segment in which it is operating, it can grow on a much faster pace. So, this is the primary driver and as you go forward, there would also be requirements for things like perhaps ESOPS sometimes there could also maybe a requirement to get in some kind of investor, and so on so forth. So, all these possibilities exist, so to give us that kind of flexibility, and putting all these factors into mind giving us some headroom for growth also, this is what led us do this arrangement that we have got of 40%, it does provide enormous amount of flexibility in the ways in which this Company would chart its growth either completely independent or if there is an opportunity also for some strategic arrangements. I hope I've addressed your questions and thank you for those questions.

Moderator: Thank you. The next question is from the line of Tejas Shah from Avendus Spark. Please go ahead.

Tejas Shah: Couple of questions from my side, you partly answered the first one. But just to complete the question from my side. So, you have called out that the new structure will also create flexibility to get strategic investors. Now this event might dilute ITC stake in future. So, just wanted to understand is there any minimum holding that we would like to continue with or we are completely open on that point as well, as you said that it can be a completely on its own Company also in future?

Sanjiv Puri: You do have another question, is that the only question?

Tejas Shah: There is a second question. And in line with ITC's cap table, there are a number of investors who end up with holding chunky stake in hotel business. Assuming their disinterest in this exposure, would you be willing to participate on their exit to avoid any hostile entity coming on the cap table on that business?

Management: Okay. So, first of all, let me answer the second question. See, each shareholder will take his independent decision on what he wishes to do with the holding that he will get in the new entity. We have no arrangement with anybody on this facet as such, what I would like to say is that, while each one will take its own decision, the tourism industry is in a good space and attracting tremendous amount of interest and I'm sure that the interest in this entity that would create also will be equivalent if not more whenever the process of listing starts. So, anybody who does not wish to be continuing in this sector, because he would rather prefer to be in another sector, I'm sure the market dynamic would provide enough and more opportunities and we are not going to be participating in any arrangement of that sought. And of course, as you know what the market cap, et cetera is going to be, will really be determined by how this well this entity performs and how attractive that industry is, the combination of the two determines it. That's why we're doing whatever needs to be done to make sure that this entity can thrive and succeed and grow in an accelerated fashion. But very clearly, we have no arrangement and we don't need to, we don't intend to participate in this kind of activity, it is for the owners and the markets to determine. As far as the first question that you asked, I did not imply that there is an intention or to exit completely and so on so forth that was not the intent. At the moment as it stands, ITC Hotels is benefiting from a lot of institutional assets of ITC, the goodwill of ITC, the brand assets, and so on so forth the brand of ITC as well as institutional synergy. So, as we see it right now, the arrangement we have proposed is the best. All I'm saying is that there is some headroom to do something to facilitate growth. It is not completely moving out of it, that was never the intent of that answer. It is merely to say that it offers some flexibility to deal with ESOP, some flexibility to deal with some growth options that will emerge, but not to completely move away from it.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Most of my questions have been answered, but still, I will just check on two things. The first is, do you see any material implication from a talent perspective, internally you have senior division employees who move across divisions in ITC and when you make external hires also, is there any impact on share pricing incentives which could make a difference here, when this business gets demerged, this is the first and the second is just clarification, I heard you clearly mentioning that ITC Hotels will have their own balance sheet to raise capital does this mean that you are clearly stating that in the future ITCs balance sheets will no longer be accessed for any capital into the hotel business. Thank you.

Sanjiv Puri: Thank you Latika, if I could ask you to just to repeat the second part of the first question there was some disturbance in the line I might have missed something.

Latika Chopra: So, my first question is around implication from a talent perspective, internally do lot of senior position employees moved across divisions and when you are externally hiring employees, are there any share pricing incentives which really matter and these will be very different and in the course of demerger, any thoughts on that?

Sanjiv Puri: Okay. Thank you Latika for the questions. First of all, the fact that this entity will continue to have all the strategic support from ITC is something that is going to give comfort to employees, because employees always work for an institution because they like to work there because of the values and the culture of the organization, because of the opportunities they get. So, that will give comfort and so I believe that we will not have a problem there. Yes, ITC does offer, but before that, there is mobility of managers across divisions within ITC. And that is an opportunity provided to high potential employees it is provided in areas where similar skills may be required in another division. So, like for example, Chef's going to foods or somebody from human resources moving across division or it could be in marketing, just as examples. So, all these opportunities will not go away, these will get facilitated by the, we believe will get facilitated by the respective Boards. So, that will continue for sure. ITC does have a stock option scheme for a certain section of employees based on the position they hold in the Company. And once the, employees are transferred when the employees move to the new Company, the new Company would determine the terms of the scheme in that respect, if they wish to but very clearly, the benefits that will accrue to employees that move to hotels will be no less favorable then what they are today either everything will be the same or there will be an alternative that will be equivalent or better that is in fact the regulatory requirement also and in any case, that is what we intend to do as a Company nobody is going to suffer. So, therefore, we do not believe that will be a risk at all. As far as the balance sheet is concerned, Supratim you want to take that question?

Supratim Dutta: Latika thanks for that question again. See, what Chairman mentioned about strong balance sheet is for the hotels entity on its own. It's not about accessing ITCs balance sheet of course, when it's demerged, it's a separate entity. So, if you look at the capital employed of this business in FY23, March 23, the net assets are about INR 6000 crores. So, that's a very good start and there's obviously going to be no debt to start with and that's what we meant by having a very strong balance sheet to go to the market and, leverage that balance sheet for raising capital, if it's so required over and above the cash flow that don't generate on its own. So, that's the context of that, of course it will have to leverage its own balance sheet and not that of ITC.

Moderator: Thank you. The next question is from the line of Krishna Appala from Capitalmind. Please go ahead.

Krishna Appala: So, my question is in continuation with the gentleman, which asked regarding tax implications. So, sir you said that it's a tax neutral demerger, but section 2(19AA), it says that at least 75 percentage of the shareholder should be the same of the demerged and resultant entity. So, just want to check, are you sure of the tax implications are tax neutral of all three interested parties sir that is ITC Limited, ITC Limited Shareholders and ITC Hotels. So, that's my first question. And second question is that, ITC owns 13% in EIH, the Oberoi Hotels, so any plans for that particular investment will it continue to remain under ITC Limited or will it be moved under ITC Hotels. So, these two are my questions sir.

Sanjiv Puri: So, as far as investments are concerned the idea is all operating investments or investments in operating companies and of course, I'm not going to answer specifically because it would not be right for me to do so, because the Board has not looked at it case by case as a broad principle, we understand that all operating investments will move along into the new entity, unless there is a very specific in a rare case, if there's an exception or something special is there. So, that's the intention, non-operating investments will get, they have nothing to do with the ITC Hotels. So, therefore, they don't kind of move so that's the broad principle with which we will be addressing these issues. I won't get into specific, because it will not be right for me to give specifics until the Board has deliberated and approved it. But broad principles certainly is this is what we will follow. I hope this is sufficient to address your query for the moment.

Krishna Appala: Yes, sir the second question is addressed, just waiting for the first.

Sanjiv Puri: The first one Supratim will take.

Supratim Dutta: Yes, so on the first one it's quite clear that it satisfies the 2(19AA) conditions. The specific point that you mentioned is not about the way you said it, but it's about ITC shareholders who have not less than three fourths of the value of shares of ITC should also become shareholders of ITC Hotels or whatever name we finally give to the new entity. So, in our case, every ITC shareholder will be given some share, depending on the ratio that comes through finally, of the new entity so all shareholders will get shares in the new entity and we satisfied that condition squarely and there are other conditions as well which we also satisfied as I mentioned earlier so, it is expected to be tax neutral**.**

Moderator: Thank you. The next question is from Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: It's really been a long wait for the market for this much awaited decision, maybe three years, or possibly more. So, I want to congratulate you firstly on this move. So, most of my questions have been answered, I just had one question on the composition of the Board for the new Company because right now we have a structure by which the majority shareholder is BAT, which has totally about odd 29% in the ITC. And if you do the math, right, they'll be left with a minority or some minority 11%, 12% stake in the new Company. So, is there any thought on how the new Board would be constituted because BAT itself doesn't have any interest in hotels globally?

Sanjiv Puri: Thank you for that question. It would be a little too premature for me to give you any details on the composition of the Board. In due course we will determine that and then we will transparently share it. But, I would request you to hold on that for the moment as this has not yet been determined as such.

Moderator: Thank you. The next question is for the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Sir, I have two questions. My first question is a kind of a repeat to the earlier participants with respect to the 40% shareholding which ITC has retained in the new entity, just to be sure, we have mentioned that the whole idea is to provide stability to the new entity. So, is there a mindset here that over the course of time once the business is flourishing at its own end, we rethink of retaining the 40% stake or diluting the 40% stake over time. So, that was my first question. I can go ahead with my second question. The second question is, we have talked about the Hotels business, pursuing the asset right strategy. So, the question here is now, with the hotel business starting its own path, are we thinking that going ahead the strategy could change, where we could be more aggressive with respect to building hotels or acquiring other businesses, is there a different mindset which the new entity could have in terms of scaling the operation?

Sanjiv Puri: Thank you for those questions. See, what will happen over a long term, is in terms of shareholdings and whether there would be any significant dilution is to be determined by the Board and the circumstances at that point of time. I've always said that nothing is cast in stone as far as the business is concerned, other than the values and the principles. So, the principles are around sustained value creation. And in this context, we must make as a Company, the Board of ITC Hotels, and the Board of ITC, has to make the decisions which are in the interest of its stakeholders and make the right strategic choices and adapt to the circumstances that will evolve. So, I won't like to take any position which is long term, as this is really for the Board to determine. But, as I've said, as we stand today we believe that this is the right arrangement for providing stability, and there is no intention to significantly change from that position other than maybe some flexibility it provides as far as ESOPS or other growth opportunities are concerned. But as it stands today, very clearly we are there invested in this business, through the holding that we have because we believe that that is the best way that Hotels business can chart its own growth perspective with accessing all the institutional strengths of ITC and ITC also drawing synergy from hotels, particularly from the cuisine side, I spoke about foods and that's very important, you can see how foods is scaled up over a period of time. And we are also now incubating and I would say, quite efficiently incubating the food tech vertical, where the strengths of foods and hotels have come together. And we have created a successful model in Bangalore and the intention is now to progressively take it out. So, it's also creating a lot of value and new drivers of growth and opportunity for the future. So, given this strategy at the point of time, this is the best arrangement. If there is and I said, it's always in the context of the business strategy that these decisions have to be made. So, if there is a better way of, if there's a better business strategy in future subject to that at some point of time, some review may happen, I cannot say anything as far as that is concerned. So, as far as asset right is concerned, see asset right strategy has been determined based on what is right for the business, not based on the manner in which it was structured, it is determined based on what is right for the business. And I said earlier, that we have made a lot of investments to create iconic properties across the length and breadth of the country, we have a strong market standing, we are known for service excellence also for our cuisine expertise we stand out on many facets. And having established, having made that investments to create the market standing now, is the right opportunity to work with partners through management contracts, because the right balance of that also gives you not only accelerated growth, but it also improves return ratios for the new entity. And therefore, I believe this is the right strategy to do. And this is what the Board also feels that this is the right strategy to do in the context of the industry dynamic that we see. So, I do not see any change in that strategic direction. There could be for example some trophy property opportunity comes up and the business wishes to make an investment. Those few events like that may happen but largely it's going to be an asset right approach.

Sheela Rathi: Fair enough. The reason I asked this question was because the whole demand environment and supply environment for the hotel industry has changed. And that's why this question was actually put up.

Sanjiv Puri: You're right, so that question is right. But, for an entity it's always better to have the right balance and that's the strategy we have determined in the context of the opportunity available in the industry.

Moderator: Thank you. We have covered the audio questions now. Karthik, can you confirm if there are any questions from the chat box, which haven't been covered so far. If so, request you to kindly cover those.

Karthik Bhanu: Yes, thanks, Aman. There are quite a few questions in the chat box. I'll first start with Devender Singhal of Kotak has asked this question. Why this structure, is it helping save some stamp duty and in fact, there is a related question on stamp duty also which have been asked here but that's by a different person who has asked this question. What is the estimated stamp duty cost and who will bear the same? So, this is the first question from Devender Singhal. The second one is, do you plan to transfer any cash in the hotel arm?

Sanjiv Puri: Okay, so maybe Supratim would you like to take these questions. The qualitative part of the structure I've already alluded to, if you can focus on the tax part.

Supratim Dutta: Sure, I'll do that sir. Thanks, Devender for the question. The first part of the question if I got Karthik right is, whether the structure has been designed in a manner that kind of optimizes stamp duty. The answer is not really. It's not about if you are looking at the 40:60 kind of stake that we talked about, that has got nothing to do with stamp duty. Of course, stamp duty implications are different if it's structured in a different manner, in a demerger there are different provisions that come into play as compared to any other structure for example if you just do a simple transfer of a property from one entity to the other, it will attract at a different rate a much higher rate as compared to a demerger. But that is more to do with the, the demerger itself and not the structure, stamp duty is not really a key consideration in the structuring of 60:40. So, that's the first part. But just talking about, taking the other question on stamp duty overall, what we can say today is that firstly like I said, it's going to be under a scheme of demerger. And since the registered offices of ITC Limited and the new entity is going to be both in West Bengal, we the scheme has to be approved by NCLT West Bengal, and therefore the stamp duty has to be paid in the state of West Bengal. The entry in the stamp law of the state of West Bengal is about 0.5% of the fair market value of the shares issued as consideration so 60% of the market value multiplied by 0.5% is the stamp duty expense that one has to kind of bear in the state of West Bengal. We also have properties in other states now stamp duty will be applicable for those properties only in the respective states. Most states, in fact a majority of states have provisions in their stamp laws to deal with such arrangements of mergers and demergers, and those rates will apply. Also, at the same breath, let me add that many states, several states actually across the country have got caps on stamp duty that they can levy on such arrangements like mergers and demergers. So, obviously, those are the specifics but the principles are like what I told you, so at each state level we will have to kind of adjudicate, get the values and work with the local authorities and advisors to come to the specific numbers, but overall, that's the principle from an overall cost perspective is not going to be a game changer, or a very material cost to kind of the benefits are far outweighing any such costs of the transactions, not only stamp duty, but all the other costs that are related to this transaction. So, I've got most of it and was there another question on Karthik, I'm just missing the last one.

Karthik Bhanu: Yes, do you plan to transfer any cash in the hotel arm, the second question?

Supratim Dutta: Okay, all right. So, see if you look at it not just for hotels but if you look at our process, and we've discussed in the past as well, ITC has a very robust strategic planning process, it's a very iterative process it's a two-month iteration that goes through, the business has come up with their business plans and strategies, and also include their capex and investment plans, at least for the next two to three years. So, that gives us a very good visibility as to what any business for that matter, requires as growth capital, and their funding needs, and of course, their own cash generation. So, we have a very good sense of a visibility of the needs of every business at least for the next three years, very, very solidly. So, based on that our treasury corpus is designed in a manner that we can cater to those needs for each business including the Hotels business and there is an allocation and earmarking of funds for each business on that basis. If you look at the hospitality business, and we talked about it a lot today through the discussion after having pivoted to the asset right strategy, our total capital expenditure, of course it's a bit lumpy so one year it may be high another year may be relatively low. But the way to think about capex in this business is somewhat close to the annual depreciation. So, that's the need on a per annum basis, and we have good visibility for the next two to three years. So, we will work out the specifics and it will be part of the overall proposal that we present as part of the transaction when we take it up on the 14th of August.

Karthik Bhanu: Okay. The next question is from Ashit Desai of SBI Mutual Fund. His question is, would all hotels subsidiaries and will JVs be under the new hotel Company?

Sanjiv Puri: Yes, I answered this partly. See it is intended that all the asset employees and even operating companies, largely ought not largely they should move to the new entity, that's the broad principle. If there is anything that is held back, it'll only be on exception for a very specific reason, if at all such a situation arises.

I'm making this caveat only because we have not gone through line by line. Therefore, I don't want to make a blanket statement without going line by line, but the whole philosophy is very clearly assets, employees, investments in operating companies should move, it's rare exceptions if any, which we will know after line by line analysis has been done. So, that's the broad answer to this. I won't get into any specifics because the Board also has not gone through it.

Karthik Bhanu: Okay. The next question is from Amit Sinha of HDFC AMC. Now that hotels Company will be a separate Company, will the Company be more aggressive on CAPEX given that the supply is limited in the top cities in the next three to five years and how does it manage to take it off?

Sanjiv Puri: I answered this question just a short while back, because I don't think the strategy changes, strategy does not change. It is an asset right strategy, largely focused on management contracts, it is not an asset zero or asset light strategy. So, to some degree in calibrated fashion, some investments will happen where the business thinks it's appropriate, but largely it will pursue an asset right strategy that's the thinking whether it is within the group or structured as a separate entity. That's very clearly the strategic direction.

Karthik Bhanu: I have gone through the remaining questions on the chat box, there are no other questions that you haven't actually already covered. So, we are at the end of the chat box questions as well, over to you Aman.

Moderator: Thank you.

Sanjiv Puri: Let me thank everybody for joining us and for raising all these questions. If you still do have any residual points, you all know who to reach in our Investor Relations team. And once again, thank you very much for joining this call. Back to you, Jay.

Jaykumar Doshi: Thank you so much. It was a pleasure hosting you. Good evening everyone.

Moderator: Thank you very much. Ladies and gentleman on behalf of Kotak Securities that concludes this conference. Thank you all for joining us and you may now disconnect your lines.