

ITC Hotels Demerger: ITC to hold meeting of ordinary shareholders on June 6 to approve scheme

ITC, a conglomerate spanning from cigarettes to FMCG products, has announced a shareholders' meeting scheduled for June 6, 2024, to ratify the proposed scheme of arrangement. This involves the demerger of ITC Hotels from ITC Limited into a separate listed subsidiary, as disclosed in an exchange filing on Wednesday.

The meeting, set for 10:30 am India time, will be conducted electronically.

This development follows an order from the National Company Law Tribunal (NCLT) to convene a meeting of the ordinary shareholders.

The announcement, made after market hours, resulted in ITC shares ending flat on the NSE at INR 429.40 on Wednesday. The board had previously approved the scheme of arrangement on August 14. According to the scheme, ITC shareholders will receive 1 share in the demerged hotels business for every 10 shares held in the parent company.

Upon completion of the demerger, subject to approval from shareholders, creditors, stock exchanges, Sebi, NCLT, and other regulatory authorities, ITC is anticipated to list the new stock on stock exchanges within 15 months. Post-demerger, ITC shareholders will hold approximately 60 percent of ITC Hotels, with the remaining 40 percent stake retained by ITC. No cash consideration will be exchanged under the demerger scheme.

"The scheme aims to unlock the value of the hotels business for existing shareholders through independent market-driven valuation of their shares in the resulting company, which will be listed pursuant to the scheme," ITC stated.

As part of the demerger, ITC Hotels will receive a license to use the 'ITC' prefix in its corporate name and brand name, subject to royalty fees.

The share entitlement ratio has been determined based on the share capital of the two companies and is independent of ITC Hotels' market capitalization.

ITC, headquartered in Kolkata, believes its hotels business has matured sufficiently to chart its independent growth trajectory as a separate listed entity in the rapidly expanding hospitality sector. The demerger is expected to enable the hotels unit to raise capital from equity and debt markets for its growth requirements, attracting suitable investors and partners aligned with the hospitality industry's strategies and risk profiles.

Following the scheme of arrangement, there will be no alteration in the shareholding pattern of ITC.