



**STRICTLY PRIVATE & CONFIDENTIAL**

October 19, 2015

**The Board of Directors**  
**The Indian Hotels Company Ltd**  
 Mandlik House  
 Mandlik Road  
 Mumbai 400001

**Re: Fairness Opinion on the proposed scheme of arrangement between International Hotel Management Services LLC and The Indian Hotels Company Limited and their respective shareholders and creditors**

Dear Sirs,

We refer to our engagement wherein the Management of The Indian Hotels Company Limited (hereinafter referred to as 'IHCL' or the 'Transferee Company') has requested Fortress Capital Management Services Private Limited ('us') to give a fairness opinion in connection with the draft scheme of arrangement between International Hotel Management Services LLC (hereinafter referred to as 'IHMS' or the 'Transferor Company') (formerly known as International Hotel Management Services Inc.), IHCL (hereinafter collectively referred to as the "Companies") and their respective shareholders and creditors under Sections 391 to 394 of the Companies Act, 1956, read with Section 52 of the Companies Act, 2013, Section 78 and Sections 100 to 103 of the Companies Act, 1956, and other relevant provisions of the Companies Act, 1956 and Companies Act, 2013, as applicable ("Scheme of Arrangement"), which provides for the amalgamation of IHMS with IHCL and other connected matters.

**1. BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT**

**1.1 THE INDIAN HOTELS COMPANY LIMITED**

IHCL is a public limited company originally incorporated under the Indian Companies Act of 1882 and continuing its existence under the Companies Act 2013, having its registered office at Mandlik House, Mandlik Road, Mumbai



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400001. The Transferee Company is primarily engaged in the business of owning, operating and managing hotels, palaces and resorts and its objects include acquiring and holding shares in any other company having objects altogether or in part similar to those of the Transferee Company or carrying on any business capable of being conducted so as directly or indirectly to benefit the Transferee Company. The equity shares of the Transferee Company are listed on the BSE Limited and on the National Stock Exchange of India Limited (collectively the "Stock Exchanges").

## 1.2 INTERNATIONAL HOTEL MANAGEMENT SERVICES LLC

IHMS is a limited liability company incorporated in the State of Delaware, United States of America, pursuant to and in accordance with the Delaware Limited Liability Company Act (as amended from time to time), having its registered office at Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE, 19808, United States of America and its principal place of business at c/o Pierre Hotel, 2 East 61st Street, New York, NY 10065- 8402, United States of America.

The Transferor Company is primarily engaged in the business of, inter alia, owning equity interests in entities that own and/or operate and/or manage hotels and hospitality business.

The Transferor Company is a wholly owned subsidiary of the Transferee Company.

1.3 We have been informed by the Management of the Transferee Company that Board of Directors of the Transferee Company and the Transferor Company (acting through its sole member) are considering an amalgamation of IHMS into IHCL with effect from appointed date of (the opening of business on) January 2016 (or such other date as may be determined by the Board of Directors of the Transferee Company and the Transferor Company (acting through its sole member)), pursuant to the Scheme of Arrangement ("Appointed Date").

1.4 As per the Scheme of Arrangement we understand that the Transferee Company is in the process of undertaking a restructuring of its group holding structure in some of its overseas joint ventures and wholly owned subsidiaries by



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consolidating certain holdings in the downstream overseas operating companies under a single holding company, namely, IHOCO BV, effectively capturing value at a single point and enabling greater organizational and operational control of these overseas joint ventures and wholly owned subsidiaries. Pursuant to this international restructuring exercise, the utility of retaining the Transferor Company as a separate entity is diminished and hence it is sought to be amalgamated with the Transferee Company. In view of the foregoing, and in order to simplify the overseas group holding structure and reduce the overseas shareholding tiers, it is proposed that the Transferor Company be amalgamated with the Transferee Company, pursuant to which the Transferor Company will cease to exist as a separate legal entity as per the applicable law in the State of Delaware, United States of America, and shall be deemed to be dissolved without winding up for the purposes of the Companies Act, 1956 and Companies Act, 2013, as applicable, and the consequent cancellation of the share capital comprising of the outstanding common stock and the additional paid in capital in the Transferor Company ("LLC Shares") held by the Transferee Company be undertaken, pursuant to Sections 391 to 394 and other relevant provisions of the Companies Act, 1956 and Companies Act, 2013, as applicable.

**1.6** As per the Scheme of Arrangement we understand that upon the Scheme of Arrangement becoming effective, the LLC Shares in IHMS held by IHCL will stand cancelled and no new shares or other equity interests are proposed to be issued by IHCL, and no payment in cash or kind is proposed to be made by IHCL, in consideration of the amalgamation of IHMS with itself as IHMS is wholly owned subsidiary of IHCL as on date.

**1.7** The shareholders of IHCL will continue to remain beneficial owners of IHCL in the same proportion as they held it prior to the proposed amalgamation.

**1.8** As per the Scheme of Arrangement, upon its coming into effect and with effect from the Appointed Date, the paid up share capital (including the additional paid in capital) and/or capital contribution in the Transferor Company and the amount of investment made by the Transferee Company in the Transferor Company shall be cancelled and the difference, if any, shall be adjusted against the profit and loss account of the Transferee Company as the Transferor Company will cease to

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exist upon the Scheme of Arrangement becoming effective. Consequently, the entire debit balance in the profit and loss account of the Transferee Company (including the debit balance of the Transferor Company that would be transferred to the profit and loss account of the Transferee Company as aforementioned) as at the Appointed Date shall be adjusted against the securities premium account of the Transferee Company in accordance with provisions of Sections 391 to 394 of the Companies Act, 1956, read with Section 52 of the Companies Act, 2013, Section 78 and Sections 100 to 103 of the Companies Act, 1956 and any other applicable provisions of law.

**1.8** According to the information and explanation provided to us by the management of IHCL and as per the Scheme of Arrangement we understand that as the Scheme of Arrangement involves the amalgamation of a wholly owned subsidiary (i.e., IHMS) into its parent listed company (i.e., IHCL) and upon the Scheme of Arrangement becoming effective, the shares in IHMS held by IHCL will stand cancelled and no new shares are proposed to be issued by IHCL. As per paragraph 4.2 of the SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013, a 'Valuation Report from an Independent Chartered Accountant' need not be required in cases where there is no change in the shareholding pattern of the listed company/resultant company. As per paragraph 4.4 (ii) of the SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013, in case a wholly owned subsidiary of a listed entity is merged with the parent listed company, where the shareholders and the shareholding pattern of the parent listed company remains the same, it will be treated as 'no change in shareholding pattern'. Accordingly, a 'Valuation Report from an Independent Chartered Accountant' has not been obtained for the purpose of the Scheme of Arrangement.

**1.9** Accordingly, IHCL has appointed us to give a fairness opinion in accordance with the requirements of Clause 24 of the listing agreements with the Stock Exchanges and Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 issued by the Securities and Exchange Board of India, in connection with the Scheme of Arrangement.





**1.10** The information contained in our report herein is confidential. It is intended only for the sole use of captioned purpose including for obtaining the requisite statutory approvals.

## **2. SOURCES OF INFORMATION**

For the purposes of this exercise, we have relied upon the following sources of information:

- (a) Draft Scheme of the Arrangement;
- (b) Audited Financial Statements of IHMS for the year ended 31<sup>st</sup> March, 2015;
- (c) Provisional Financial Statements of IHMS for the period ended October 2, 2015; and
- (d) Such other information and explanations as we required and which have been provided by the management of the Companies.

## **3. LIMITATIONS & EXCLUSIONS**

**3.1** Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

**3.2** Our recommendation is dependent upon the information furnished to us being complete in all material respects. Our work does not constitute certification of the historical financial statements of the company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.

**3.3** Our report is not nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.

**3.4** No investigation on the Companies' claims to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.

**3.5** The information contained herein and our report is intended only for the sole use

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and information of the Companies and only in connection with the proposed Scheme of Arrangement as aforesaid. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed Scheme of Arrangement as aforesaid, can be done only with our prior permission in writing.

3.6 We assume no responsibility for any errors in the information furnished by the Companies and consequential impact on the present exercise.

3.7 Neither Fortress, nor its directors, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. All such parties expressly disclaim any and all liability for, or based on or relating to, any such information contained in this report.

#### 4. CONCLUSION

4.1 On the basis of the foregoing, and based on the information and explanation provided to us in our opinion the Scheme of Arrangement is fair and reasonable.

Thanking you,

Yours faithfully,

**For Fortress Capital Management Services Pvt. Ltd.**

*Nitin M. S.*  
**Authorized Signatory**



Place: Mumbai

SEBI Registration No.: INM000011146