



**REPORT OF THE AUDIT COMMITTEE OF ICICI SECURITIES LIMITED  
RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT FOR DELISTING  
OF THE EQUITY SHARES OF ICICI SECURITIES LIMITED**

**Members Present:**

1. Mr. Ashvin Parekh
2. Mr. Subrata Mukherji
3. Ms. Vijayalakshmi Iyer

**In Attendance:**

1. Mr. Vijay Chandok, Managing Director & CEO
2. Mr. Ajay Saraf, Executive Director
3. Mr. Harvinder Jaspal, Chief Financial Officer
4. Mr. Raju Nanwani, Company Secretary
5. Mr. Ankit Sharma, Head – Compliance & Legal
6. Mr. Vipul Mewada, Deputy Chief Financial Officer

**By Invitation:**

1. Mr. Rohit Alexander, Representative of B S R & Co. LLP, Chartered Accountants
2. Mr. Rajendra Shah, Representative of B S R & Co. LLP, Chartered Accountants
3. Mr. Parag Mehta, Representative of Ernst & Young Merchant Banking Services LLP
4. Mr. Mihir Kenia, Representative of Ernst & Young Merchant Banking Services LLP
5. Mr. Kunal Khandelwal, Representative of Ernst & Young Merchant Banking Services LLP
6. Mr. Mitul Jain, Representative of Ernst & Young Merchant Banking Services LLP
7. Ms. Kaku Nakhate, Representative of Ernst & Young Merchant Banking Services LLP
8. Mr. Debasish Purohit, Representative of BofA Securities India Limited
9. Mr. Abhay Agarwal, Representative of BofA Securities India Limited
10. Mr. Abhrajee Banarjee, Representative of BofA Securities India Limited

**1. Background**

- 1.1 A meeting of the Audit Committee of ICICI Securities Limited ("Company" or "Subsidiary Company") was held on June 29, 2023, to consider, and, if thought fit, to recommend to the Board of Directors of the Company the draft of the Scheme of Arrangement for the delisting of the Equity Shares of the Company ("Scheme"), under Regulation 37 of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 ("Delisting Regulations") and thereby, making the Company a wholly-owned subsidiary company of ICICI Bank Limited ("Holding Company").

Member of National Stock Exchange of India Ltd, BSE Ltd and Multi Commodity Exchange of India Ltd.

SEBI Registration : IN2000183631  
CIN No.: L67120MH1995PLC086241

**ICICI Securities Limited**  
Registered Office :

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Appasaheb Marathe Marg,  
Prabhadevi, Mumbai - 400025, India  
Tel : (+91 22) 6807 7100  
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Corporate Office:

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Tel : (+91 22) 4070 1000  
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Name of Compliance Officer (Broking Operations) : Mamta Shetty  
Email Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com) / Tel (91 22) 4070 1000  
Website Address: [www.icicisecurities.com](http://www.icicisecurities.com) / [www.icicidirect.com](http://www.icicidirect.com)



- 1.2 In terms of the Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 issued by the Securities and Exchange Board of India ("SEBI"), as amended from time to time ("SEBI Circular"), a report from the Audit Committee ("Committee") is required recommending the draft Scheme of Arrangement ("the Scheme") to the Board of Directors, taking into consideration, *inter alia*, the valuation report and commenting on the need for the Scheme, rationale for the Scheme, synergies of business of the Company and Subsidiary Company, impact of the Scheme on the shareholders of the Company and cost benefit analysis of the Scheme. This report of the Committee is being made to comply with the requirements of the SEBI Circular.
- 1.3 While deliberating on the Scheme, the Committee, considered and took on record, *inter alia*, the following documents placed before the Committee:
- (a) A draft of the proposed Scheme of Arrangement.
  - (b) Intimation from ICICI Bank informing about their intention to delist the Equity Shares of the Company and to make the Company a wholly-owned subsidiary.
  - (c) In connection with delisting, SEBI has granted exemption from the strict enforcement of Regulation 37 (1) of the SEBI Delisting Regulations read with SEBI Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0585 dated July 6, 2021 regarding the requirement of listed holding company and listed subsidiary being in the same line of business. A copy of exemption letter dated June 20, 2023 issued by SEBI.
  - (d) Valuation report dated June 29, 2023 prepared by Ernst & Young Merchant Banking Services LLP, independent registered valuers appointed by the Company who have recommended a swap ratio of 1:0.67.
  - (e) Fairness opinion dated June 29, 2023 on the valuation report, issued by BofA Securities India Limited, a SEBI registered merchant banker, appointed by the Company.
  - (f) Certificate dated June 29, 2023 from B S R & Co. LLP, Chartered Accountants, the statutory auditors of the Company, to the effect that the accounting treatment contained in the Scheme is in compliance with all applicable accounting standards specified by the Central Government in Section 133 of the Companies Act, 2013.
  - (g) Compliance report dated June 29, 2023 from the Company Secretary, the Chief Financial Officer and the Managing Director & CEO of the Company, confirming compliance with various regulatory requirements specified for proposed Scheme and all accounting standards.

## 2. Salient features of the Scheme

- 2.1 The Committee considered and observed that the draft Scheme, *inter alia*, provides for the following:

- (a) The Equity Shares held by the public shareholders of the Company, on the record date fixed by the Board of Directors, will be cancelled and the Equity Shares of the Company shall be deemed to be delisted;
- (b) In lieu of and as a consideration for the cancellation of the Equity Shares, all public shareholders of the Company, as of the record date fixed by the Board of Directors, will receive Equity Shares of the Bank in the abovementioned swap ratio;
- (c) All the employees holding employee stock options and employee stock units in the Company, as on the record date fixed by the Board of Directors, will receive employee stock options and employee stock units, as applicable, from the Bank based on the abovementioned swap ratio and/or as per such conditions as may be prescribed and consequently the stock options and employee stock units granted by the Company shall stand cancelled; and
- (d) The Scheme will be effective subject to approval from the National Company Law Tribunal (NCLT), no-objection certificates from the stock exchanges, RBI approval, approvals from SEBI, Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority of India (PFRDA), approval of 2/3rd majority of public shareholders of the Company and majority approval of public shareholders of the Bank and other regulatory approvals as required.

### 3. Need and rationale for the Scheme and synergies of businesses

The Committee considered and noted the need and the rationale for the Scheme which is as under:

#### 3.1 *No requirement of capital for ICICI Securities Limited ("the Company or I-Sec")*

I-Sec is a low capital consuming business and the internal accruals are more than adequate to fund business growth. Thus, the Company does not require access to public markets for equity fund raise. The Bank is not expected to be required to make additional capital infusion into the Company.

#### 3.2 *Business synergies between ICICI Bank Limited and ICICI Securities Limited*

- One of significant retail products of I-Sec, the "3-in-1" account, is a joint offering by the Bank and I-Sec wherein the customers of I-Sec's retail brokerage business hold a savings bank and dematerialised (demat) account at the Bank and trading account with I-Sec. The enhanced penetration of "3-in-1" accounts in the Bank's significant customer base would benefit both the Bank and I-Sec by way of enhanced brokerage income to I-Sec and by way of enhanced CASA & fee income for ICICI Bank.
- The Bank offers a comprehensive suite of banking services to the clients and I-Sec offers a comprehensive suite of investment and personal finance services to the clients. Both the companies would be able to leverage one ICICI approach to provide a comprehensive banking and personal finance proposition to existing as well as new customers of ICICI Group.



- The Bank has a substantial corporate client base who often have a need to raise capital or access capital markets or need M&A advisory support. Both the companies are thus expected to benefit from enhanced synergies of harnessing such business opportunities.
- The synergies described above are increasing with growing financial assets in the country, expansion of ICICI Bank's foot print as well as I-Sec's digital footprint; the Bank's focus on retail, SME and business banking; the need for both banking and investment solutions for this segment; and the complementarity of product offerings of the Bank and I-Sec. As each entity expands in this target segment, the overlap of customers is likely to increase. Similarly, in the corporate client segment as well, the Bank is enhancing its focus on corporate ecosystems. The Bank's target growth segments include foreign funds and financial sponsors, who are key clients of the Company.

### 3.3 *Cyclical nature of business*

The securities broking business is inherently cyclical as it is significantly dependent on macro-economic environment and buoyancy in equities market. The business of the Company is cyclical and significantly dependent on macro-economic environment and buoyancy in equities market.

### 4. **Cost benefit analysis of the Scheme**

The Committee considered the following Cost Benefit Analysis for the Proposal:

ICICI Securities Limited and ICICI Bank Limited have made and continue to make significant investments in technology particularly in the areas of cyber risk, information security and infrastructure resilience. I-Sec would be able to gain from the scale and the knowhow of Bank in this regard. The scheme is expected to benefit both organisations in terms of enhancing scale and leveraging synergies. The transaction allows both entities to offer a strong joint proposition to their respective client base. It is expected that the benefits arising out of synergies in business would far exceed the costs related to the Proposed Transaction.

### 5. **Impact on shareholders**

The Committee discussed the impact of the scheme on the shareholders and noted the following:

The minority public shareholders of ICICI Securities would get access to a much larger and more diversified business with greater stability in revenue. ICICI Securities' public shareholders would also receive a more liquid stock, which is owned by public shareholders. The proposed swap ratio implies a premium to the market price of the Subsidiary Company's shares as of June 23, 2023 (prior to the Board meeting notification issued to stock exchanges on June 25, 2023). This swap ratio is in compliance with requirements under Regulation 37 of the Delisting Regulations.

**6. Valuation**

- 6.1 The Committee noted the Valuation Report issued by Ernst & Young Merchant Banking Services LLP independent Registered Valuer appointed by the Company, *inter alia*, recommending the swap ratio as mentioned in the Scheme.
- 6.2 The Committee reviewed the Valuation Report along with the Fairness Opinion and noted the recommendations made therein.
- 6.3 The Committee noted that the fair equity exchange ratio has been arrived at on the basis of a relative equity valuation (on a per share basis) of ICICI Bank Limited and ICICI Securities Limited based on Market Price Method, Comparable Companies Method, and Discounted Cashflow Method and arriving at a weighted average price by giving appropriate weights to the values arrived at under each methodology.
- 6.4 The Committee noted the above on valuation methodology and agreed with the recommendation of the valuer set out in the Valuation Report as well as the Fairness Opinion issued in respect of the Valuation Report.
- 6.5 The Committee further noted that the swap ratio was in compliance with requirements under Regulation 37 of the Delisting Regulations.
7. The Committee noted that pursuant to Regulation 37 of the Delisting Regulations, no further restructuring shall be undertaken by the Company for a period of 3 years from the date of the NCLT order approving the Scheme.
8. The Committee also noted the draft certificate obtained from the Statutory Auditor of the Company, on the accounting treatment, prescribed in the draft Scheme, as required under the SEBI Circular.
9. The Committee discussed and deliberated upon the rationale and salient features of the Scheme and the business synergies between ICICI Securities Limited and ICICI Bank Limited. In light of the same and the Valuation Report and Fairness Opinion, the Committee is of the informed opinion that the proposed Scheme is in the best interests of the shareholders of the Company and not detrimental to the interest of the shareholders including the minority shareholders of the Company.
10. **Recommendation of the Committee**
  - 10.1 The Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion, Statutory Auditor's certificate and specific points mentioned above including impact on shareholders of the Company, recommends the draft Scheme to the Board of Directors of the Company for their favourable consideration and approval.



- 10.2 In order for the Company to comply with the requirements of the extant regulations applicable to the listed companies undertaking any Scheme of Arrangement, this report of the Committee may please be taken on record by the Board of Directors while considering the Scheme for approval and further authorisations.

By Order of the Audit Committee  
For and on behalf of the Audit Committee of ICICI Securities Limited



Vijayalakshmi Iyer  
Member of the Audit Committee  
DIN: 05242960  
Date: June 29, 2023  
Place: Mumbai

**Certified True Copy**

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NANWANI

Digitally signed by  
RAJU NANIKRAM  
NANWANI  
Date: 2023.07.15  
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**Raju Nanwani**  
**Company Secretary**