

REPORT OF THE AUDIT COMMITTEE OF IIFL SECURITIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN IIFL SECURITIES LIMITED AND 5PAISA CAPITAL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON TUESDAY, DECEMBER 6, 2022, AT 4TH FLOOR, BOARD ROOM, HUBTOWN SOLARIS, N. S. PHADKE MARG, VIJAY NAGAR, ANDHERI EAST, MUMBAI - 400069

Members present:

Mr. Anand Bathiya : Chairman
Mr. V. Krishnan : Member
Mr. Narendra Jain : Member
Ms. Rekha Warriar : Member

In Attendance:

Mr. Ronak Gandhi : Chief Financial Officer

In Invitee:

Ms. Darshana Kadakia : Representative from GT Valuation Advisors Pvt. Ltd.
Mr. Arpit Thakkar : Representative from GT Valuation Advisors Pvt. Ltd.
Mr. Deepak Mor : Representative from ICICI Securities Limited
Mr. Mehul Shah : Representative from Khaitan & Co.,
Mr. S Nagabushanam : Representative From M/s. V Sankar Aiyar & Co., Statutory Auditors

Secretary to the Meeting:

Ms. Meghal Shah : Company Secretary

1. BACKGROUND

- 1.1. A meeting of the Audit Committee of IIFL Securities Limited ("**Company**" or "**Demerged Company**") was held on December 06, 2022 to, *inter alia*, consider and recommend to the Board of Directors of the Company the proposed draft Scheme of Arrangement between the Company and 5paisa Capital Limited ("**Resulting Company**") and their respective shareholders and creditors, under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Company and the Resulting Company are public limited companies incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company and the Resulting Company are listed on BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"). Further, the commercial papers of the Company are listed on NSE.
- 1.3. The Audit Committee noted that, the Scheme, *inter alia*, provides for demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Company into the Resulting Company on a *going concern* basis, in the manner set out in the Scheme.

IIFL Securities Limited

Corporate Identity Number: L99999MH1996PLC132983

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Tel: (91-22) 3929 4000/ 4103 5000 • Fax: (91-22) 2580 6654 • E-mail: secretarial@iifl.com • Website: www.iiflsecurities.com

A. Bathiya



1.4. This report of the Audit Committee is made to comply with the requirements of the Securities and Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirements) Regulations 2015 (“LODR Regulations”) and Clause 2 (c) of Para A of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 (“SEBI Master Circular”) and as amended from time to time.

1.5. **Documents placed before the Audit Committee**

The following documents were placed before the Audit Committee:

- (a) Draft Scheme;
- (b) Joint Share Entitlement Ratio Report dated December 06, 2022 issued by M/s. GT Valuation Advisors Private Limited, Registered Valuer (Registration No. IBBI/RV-E/05/2020/134) and Ms. Drushti R. Desai, Registered Valuer, Banshi S. Mehta & Co., Chartered Accountants (Registration No. IBBI/RV/06/2019/10666) (“Share Entitlement Ratio Report”), describing the methodology adopted by them in arriving at the share entitlement ratio;
- (c) Fairness Opinion Report dated December 06, 2022 issued by ICICI Securities Limited, (Registration No. INM000011179), an Independent SEBI registered Category – I Merchant Banker (“Fairness Opinion”), providing its opinion on the fairness of share entitlement ratio specified in the Share Entitlement Ratio Report; and
- (d) Certificate by the Statutory Auditors of the Company dated December 6, 2022 issued by M/s. V. Sankar Aiyar & Co, Chartered Accountants (Firm Registration No. F109208W), confirming the accounting treatment in the prescribed manner in the Scheme is in compliance with the accounting standards prescribed under Section 133 of the Act and other generally accepted accounting principles.

2. PROPOSED SCHEME OF DEMERGER

2.1. NEED FOR THE DEMERGER AND RATIONALE OF THE SCHEME

- (a) The Company and the Resulting Company seek to reorganise their respective businesses, by the transfer of the Demerged Undertaking from the Company to the Resulting Company, so as to consolidate the online retail trading business under one single entity (i.e. the Resulting Company), pursuant to the Scheme;
- (b) The demerger and transfer of the Demerged Undertaking from the Company to the Resulting Company will enable the respective companies to concentrate its resources and managerial bandwidth entirely to such businesses which would result in the

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operational synergies, enable focused strategy, better coordination and cohesiveness in their working and assist in standardization of its business processes;

- (c) The proposed restructuring pursuant to the said Scheme is expected, inter alia, to result in following benefits:
- (i) Mitigate the overlap, improve efficiencies and sharpen focus;
 - (ii) Facilitate focused management teams with conducive culture for respective businesses;
 - (iii) Help the Companies achieve scale and strive for leadership in their focus growth areas;
 - (iv) More efficient utilisation of capital for growth of the consolidated business in separate entities; and
 - (v) Investor can have superior visibility on performance prospects and strategy for their investment.

The Scheme is therefore in the interest of the shareholders, creditors and all other stakeholders of the Companies and is not prejudicial to their interests or the public at large.

2.2. SYNERGIES OF BUSINESS OF THE COMPANIES INVOLVED IN THE SCHEME

The background and information of the Company and the Resulting Company is, *inter-alia*, as under:

- (a) The Company and the Resulting Company are a part of the same promoter group. The Demerged Company is one of the leading players in the financial services sector offering equity, currency and commodity broking, depository participant services, merchant banking and distribution of financial products besides holding investments in subsidiaries. The Demerged Company is a member of BSE Limited (“BSE”), the National Stock Exchange of India Limited (“NSE”), Multi Commodity Exchange of India Limited (“MCX”), National Commodity & Derivatives Exchange Limited (“NCDEX”) and registered with National Securities Depository Limited (“NSDL”) and Central Depository Services Limited (“CDSL”) as depository participants. Further, the Company is also a SEBI registered Research Analyst, Merchant Banker and Portfolio Manager and registered with Pension Fund Regulatory and Development Authority as “POP”, and also registered distributor with Association of Mutual Funds of India (“AMFI”), providing a one stop solution for clients trading in the equities market.
- (b) The Resulting Company is, *inter alia*, engaged in providing an online technology platform for trading in NSE, BSE and MCX through web based trading terminal, mobile application and a state of the art call and trade unit. The Resulting Company is also a

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SEBI approved research analyst, a depository participant under CDSL and registered member of AMFI. The Resulting Company provides a wide range of financial services to its customers including depository services, distribution of mutual funds, bonds and debentures, equity and mutual fund research etc., through its technology based platforms; and

- (c) Upon demerger, the benefits and synergies as mentioned in Para 2.1 above shall be derived by the Company.

2.3. IMPACT OF THE SCHEME ON THE COMPANY AND ITS SHAREHOLDERS

- (a) Pursuant to the Scheme, it is proposed to demerge, transfer and vest the Demerged Undertaking from the Company into the Resulting Company, on a *going concern* basis and the Scheme will result in benefits and/or synergies to the Company as listed in paragraph 2.1 and 2.2 of this report;
- (b) The Scheme does not entail any discharge of consideration by the Company in form of cash or otherwise. Further, in consideration for the transfer and vesting of the Demerged Undertaking of the Company to the Resulting Company, all the equity shareholders (promoter and non-promoter) of the Company, as on the Record Date (*as defined in the Scheme*) shall receive equity shares of the Resulting Company;
- (c) After the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Resulting Company issued as consideration pursuant to the Scheme, shall be listed on BSE and NSE;
- (d) The interest of the shareholders is not adversely affected. The Company's equity capital structure and the shareholding pattern upon effectiveness of the Scheme will remain unchanged; and
- (e) The proposed Scheme is in the best interest of the shareholders of the Company and not detrimental to the interest of the shareholders, including the minority shareholders of the Company.

2.4. COST BENEFIT ANALYSIS OF THE SCHEME

Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company and lead to operational efficiency and cost savings through rationalisation/ consolidation of support functions and business processes.



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3. RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee after due deliberations and detailed discussions, and, *inter alia*, taking into consideration the draft Scheme, joint Share Entitlement Ratio Report, Fairness Opinion and certificate issued by the Statutory Auditors of the Company, have noted the rationale, benefits and the impact of the Scheme on shareholders and other concerned. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interest of the Company and all the stakeholders, and hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on behalf of **IIFL Securities Limited**





Anand Bathiya
Din: 03084831
Chairman
Audit Committee

Place: Mumbai

Date: December 06, 2022

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