



Date: April 10, 2024

1. ICICI Bank Limited
Kind Attn: Company Secretary
ICICI Bank Towers,
Bandra-Kurla Complex,
Mumbai 400 051

2. ICICI Securities Limited
Kind Attn: Company Secretary
ICICI Centre,
H. T. Parekh Marg,
Churchgate, Mumbai - 400 020

Re: (i) Objections to the proposed scheme of arrangement between ICICI Bank Limited (“**ICICI Bank**”) and ICICI Securities Limited (“**ISEC**”) (hereinafter referred to as “**Scheme of Merger**”), and
(ii) Order dated February 14, 2024 passed in Company Scheme Application 8 of 2024 (“**the Order**”) by the National Company Law Tribunal, Mumbai (“**NCLT**”).

Dear Sir,

1. We refer to the Scheme of Merger under Sections 230 to 232 of the Companies Act, 2013 by ICICI Bank, wherein it has been proposed to (i) to delist the equity shares of ISEC (ICICI Bank’s 75% subsidiary) from the Bombay Stock Exchange (“**BSE**”) and the National Stock Exchange (“**NSE**”) as per Regulation 37 of the SEBI (Delisting of Equity Shares) Regulations, 2021 (“**Delisting Regulations**”) and; (ii) issue and allot new shares by ICICI Bank as per a swap ratio of 0.67 shares of ICICI Bank for every 1 share of ISEC (“**Swap Ratio**”).
2. Accordingly, the Order (defined above) was passed, *inter alia*, directing convening an equity shareholders meeting. Pursuant thereto, a notice was issued by ISEC on February 20, 2024 (“**Notice**”) to all its equity shareholders convening the meeting on March 27, 2024 (“**Shareholder’s Meeting**”).





The Order also refers to an exemption order granted by SEBI under the Delisting Regulations, which is premised upon ICICI Bank and ISEC being in the same line of business.

3. In the Shareholder's Meeting, we voted against passing the resolution to approve the Scheme of Merger as we believe that the Swap Ratio is at a lower valuation and is detrimental and prejudicial to the Minority shareholders of ISEC, which include our unit holders in Quantum Long Term Equity Fund & Quantum ELSS Tax Saver Fund ("Funds"). The Swap Ratio will result in a net loss of atleast approx. INR 17,767 million to ISEC Minority shareholders, including atleast approx. INR 61 million to the unit holders of the schemes of Quantum Mutual Fund. The Scheme of Merger is flawed and bridled with irregularities. The grounds for objection to the Scheme of Merger are set out below:

(I) Valuation reports dated June 29, 2023, carried out by PwC Business Consulting and Ernst & Young Merchant Banking Services LLP ("Valuation Reports")

- a. ICICI Bank and ISEC claim that they have followed "due process" by appointing two independent valuation experts to arrive at the swap ratio. Based on these expert Valuation Reports on the date of announcement of the Swap Ratio, ISEC has been valued at Rs. 628 per share.
- b. The Valuation Reports procured in June 29, 2023 could not have been used to determine the Swap Ratio or made the basis for voting by the ISEC shareholders in March 27, 2024, as the Valuation Reports fail to account for the various dynamic market changes that took place for the 9 (nine) month period of June, 2023 to March, 2024. This resulted in providing inaccurate and unreliable Valuation Reports. Surprisingly the fairness report issued by Merchant Bankers Bofa Securities Limited is also dated June 29, 2023, suggesting there has been no independent application of mind by the Merchant Bankers and the fairness report did not deep dive into the valuation exercise.





- c. The valuation metrics in the Valuation Reports are not reliable due to its ignorance in considering the changes/developments which has occurred in the market. The competitive scenario which, has changed quite rapidly over the last 9 (nine) months in favour and benefit of ISEC, has not even potentially considered at all in these Valuation Reports. As per our assessment, in the fourth quarter of fiscal year ending March 2023 ISEC has started expanding its retail cash market volume share of the broking business. ISEC has also seen a spectacular 66% growth in net profits for the quarter ending December 2023, however the share price has barely moved due to the cap limit placed by the arbitrary and unjust Swap Ratio.
- d. Further, the undervaluation of ISEC as per the Swap Ratio is apparent based on the valuation of its listed peers. The merger ratio has valued ISEC at a 30% to 77% discount to its listed peers based on consensus earnings forecast for fiscal year ending March 2024. The Valuation Reports and the proxy agencies failed to account for publicly available market information to make a judgement on a fair swap ratio.

Company	FY24 Consensus EPS (Rs/share)	PE multiple
ICICI securities (ISEC)	46.1	15.7x
Angel One	130.7	20.4x
360 One	20.7	34.2x
Anand Rathi Wealth	54.9	70.1x

Source: Bloomberg, Data as on March 11, 2024, ISEC valued at swap ratio





- e. Assuming for the sake of argument that even if ISEC was to be valued at the lowest PE multiple reflected in its peer set (20.4x for Angel One) the merger offer would have been at least 30% higher. The Scheme of Merger transfers INR 17.8 billion to ICICI Bank shareholders from ISEC minority shareholders.

ISEC Derived share price based on Swap Ratio	Rs 722/share
ISEC derived share price if valued at 20.4x FY24E Earnings (lowest multiple for peer)	Rs 940/share
Loss at current swap ratio	Rs 218/share
Total No of minority shares	81.5 million
Total loss for ISEC Minority shareholders	Rs 17.8 billion / Rs 1,780 crore

Note: Data as on March 11, 2024

It is apparent that the Valuation Reports have not only ignored current market peer comparison data but also fail to disclose the basis of the valuation and the information based on which the Valuation Reports have been made.

- f. Earlier, the representatives of Quantum Mutual Fund had met the Management of ISEC on December 28, 2023, and later the Management of ICICI Bank on March 05, 2024, during which they had raised concerns on valuations of ISEC and had asked the ICICI Group to redo the valuation exercise on the same grounds as stated above.
- g. Therefore, we call you to provide the detailed underlying information including annual profitability estimates based upon which the valuation is undertaken and adopted.





(II) **Majority voting in favour of the Scheme of Merger has been achieved by fraudulent means by ICICI Bank**

- h. Prior to the voting, we were shocked to learn that the management of ICICI Bank was contacting the retail shareholders of ISEC and coaxing them to vote in favour of the Scheme of Merger. This disclosure of confidential shareholders data on the part of ISEC to ICICI Bank shows the *mala fide* conduct of ICICI which vitiates the shareholders meeting and votes.
- i. In this regard, a clarification was sought by the NSE and BSE (“**Stock Exchanges**”), wherein this conduct of ICICI Bank in contacting and speaking to the various shareholders of ISEC was questioned. In response to the same, a clarification was issued on March 28, 2024 by ISEC, wherein ISEC claimed that the outreach to the shareholders was to facilitate maximum voting participation (“**Clarification Response**”).
- j. The Clarification Response is nothing but a smokescreen to hide the actual motives of ISEC. Based on a *prima facie* perusal of the Clarification Response, there is no justifiable reason provided to the query raised by the Stock Exchanges. The notice convening the Shareholder’s Meeting had already been issued in February 2024 itself and therefore there could have been no reason to contact the shareholders separately.
This conduct is *mala fide* and clearly establishes that the voting has not been done in a fair and transparent manner but has been influenced with oblique motives.
- k. The fact that you solicited favorable voting for the Scheme of Merger is itself enough to vitiate the Scheme of Merger, which prejudices ISEC’s shareholders.





(III) *Independent director of ISEC holds equity shares of ICICI Bank and has voted in favour of the Scheme despite the obvious conflict of interest*

- i. In the Explanatory Statement to the Notice under Section 230 (3) and 102 of the Companies Act, 2013 r/w Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, it is stated that the Independent Directors of ISEC voted in favour of the Scheme of Merger in a meeting held on June 29, 2023 and this Scheme of Merger has apparently been approved by the Committee of Independent Board of Directors.
- m. The meeting held on June 29, 2023, was attended by 8 directors of ISEC, namely *Ms. Vijayalakshmi Iyer, Mr. Subrata Mukherji, Dr. Gopichand Katragadda, Mr. Rakesh Jha, Mr. Vijay Chandok, Mr. Ajay Saraf, Mr. Vinod Kumar Dhall and Mr. Ashvin Parekh* who all voted in favour of the Scheme of Merger. The publication by ISEC reveals that one of the Independent Directors of ISEC i.e. Mr. Subrata Mukherji who voted in favour of the Scheme of Merger holds about 447,000 equity shares in ICICI Bank. Further, Mr. Ajay Saraf, the executive director of ISEC, holds about 735,000 equity shares in ICICI Bank.
- n. These interested Directors who each have a substantial shareholding in ICICI Bank clearly amounts to a conflict of interest, as the said directors directly stand to gain out of the delisting of ISEC. They could not have voted on the resolution for the Scheme. It was also incumbent on each of them to disclose how much they would stand to gain or lose from such a delisting. In the event it is found that an interested director with monetary interest in the outcome of the Scheme of Merger has voted, the voting should be annulled and a fresh Board meeting for ISEC should be convened.





7. Please note that the present notice has been issued without prejudice to our rights and contentions as available in law and equity.

Yours truly,

For Quantum Asset Management Company Private Limited – Investment Manager to Quantum Mutual Fund



Jimmy A Patel
Managing Director and Chief Executive Officer

Copy to:

- 1) Securities & Exchange Board of India**
Kind Attn: Shri. Ashwani Bhatia, Whole-Time Member
SEBI Bhavan, Bandra Kurla Complex,
Bandra (East), Mumbai 400051
- 2) Regional Director**
Kind Attn: Shri. Santosh Kumar
Everest 5th Floor,
100 Marine Drive,
Mumbai-400002, Maharashtra.
- 3) National Stock Exchange of India Ltd.**
Listing Department
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai 400051
- 4) BSE Ltd.**
Listing Department
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400001