

## ISEC Merger with ICICI Bank, Why Quantum voted against the Resolution

ICICI bank wants to merge its 75% subsidiary ICICI securities (ISEC) with itself offering investors 0.67 shares of ICICI Bank for every one share in ISEC.

- ISEC listed on April 4, 2018 at Rs 432, which was a 17% discount to its IPO price of Rs 520. Had a reverse merger swap ratio set on the day of its listing, the ratio would have been set at 1.65 ICICI Bank shares for every 1 share of ICICI securities (a 146% premium to the current offer) based on the closing price for both the companies.
- Had the ISEC IPO price been used as a benchmark then the share swap ratio would have been 1.9 shares of ICICI Bank for every 1 share of ICICI securities (a 183 % premium to the current offer) on the day of its listing.

The current swap ratio values ICICI securities at a 30% -77% discount to its other listed peers based on consensus earnings forecast for fiscal year ending March 2024.

Company	FY24 Consensus EPS (Rs/share)	PE multiple
ICICI securities	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

Even if the company was 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 current merger ratio transfers at a minimum Rs 17.8 bln 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 mln
Total loss for ISEC Minority shareholders	Rs 17, 767 Mln

Source: NSE, Data as on March 11, 2024

Quantum Long Term Equity Value Fund (QLTEVF) and Quantum ELSS Tax Saver Fund (QETSF) owns shares in ICICI Bank and ICICI Securities. We estimate the merger will result in a net loss of at least Rs **60.8 Mn** to our unit holders.

Company	Total Estimated Gain (Rs Mn) - A	Total outstanding shares (Mn) – B	Per share Gain (Rs) C = A/B	QLTEVF & QETSF holding (Qty)- D	QLETVF & QETSF Gain (Rs Mn) – C*D
ICICI Bank	17,767	7,014.8	2.5	676,527	1.69
	Total Estimated Loss (Rs Mn) - A	Total Minority Shares (Mn) - B	Per share Loss (Rs) C= A/B	QLTEVF & QETSF holding (Qty)- D	QLETVF & QETSF Loss (Rs Mn)- C*D
ICICI Securities	17,767	81.5	218	286,922	62.5
				<b>Net Loss (Rs mn)</b>	<b>60.8</b>

Based on the above to protect interests of our unit holders, Quantum Mutual Fund has decided to vote against the resolution.