

**REPORT OF THE AUDIT COMMITTEE OF ANGEL ONE LIMITED ("COMPANY")
RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT OF ANGEL ONE LIMITED WITH
ANGEL SECURITIES LIMITED AND ANGEL CREST LIMITED AND THEIR RESPECTIVE
SHAREHOLDERS AT ITS MEETING HELD ON MONDAY, AUGUST 09, 2023 AT 12:35 P.M. AT
THE REGISTERED OFFICE OF THE COMPANY.**

Present

- | | |
|-------------------------------------|-------------|
| 1. Ms. Mala Todarwal | Chairperson |
| 2. Mr. Krishnaswamy Arabadi Sridhar | Member |
| 3. Mr. Muralidharan Ramachandran | Member |

A. BACKGROUND

1. A meeting of the Audit Committee ("**Committee**") of the Company was held on August 09, 2023 to consider and recommend the proposal involving the arrangement of Angel One Limited ("**AOL**" / "**Transferor Company**") with Angel Securities Limited ("**ASL**" / "**Transferee Company 1**") and Angel Crest Limited ("**ACL**"/"**Transferee Company 2**") pursuant to a Scheme of Arrangement under the provisions of Sections 230 to 232 of the Companies Act, 2013 ("**Act**") and other applicable regulatory requirements (the "**Scheme**"), resulting in the transfer and vesting of Business Undertaking 1 and Business Undertaking 2 of the Transferor Company to the Transferee Company 1 and Transferee Company 2 respectively, as a going concern, on slump sale basis for a lump sum purchase consideration as set out hereinafter, such that Transferee Company 1 and Transferee Company 2 become entitled to all the rights, title and interest pertaining to the said Business Undertaking 1 and Business Undertaking 2 respectively. The transfer of the Business Undertakings under this Scheme shall be in compliance with the Income Tax Act, 1961, specifically under Section 2(42C), and other relevant sections as may be applicable. The draft of the Scheme was placed before the Committee.

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In terms of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR**"), and section 230 to 232 of the Companies Act 2013, the Committee is required to consider and comment on the rationale, cost benefits and impact of the Scheme on the Transferor Company and its shareholders. This report of the Committee is made in compliance with the requirements of the SEBI LODR.

B. SALIENT FEATURES OF THE SCHEME:

Under the scheme, Business Undertaking 1 and Business Undertaking 2 of Transferor Company shall, under the provisions of Sections 230 to 232 and all other applicable provisions, if any, of the Act, without any further act or deed, stand transferred to and vested in and/or deemed to be transferred to and vested in Transferee Company 1 and Transferee Company 2 respectively, as a going concern, on slump sale basis for purchase consideration as set out hereinafter, such that Transferee Company 1 and Transferee Company 2 becomes entitled to all the rights, title and interest pertaining to the said Business Undertaking 1 and Business Undertaking 2 respectively. The transfer of the Business Undertakings under this Scheme shall be in compliance with the Income Tax Act, 1961, specifically under Section 2(42C), and other relevant sections as may be applicable.

The Scheme shall be filed with the National Company Law Tribunal, Mumbai Bench ("**NCLT**") under Sections 230 to 232 and other applicable provisions of the Act and has been drawn in compliance with Section 2(42C) and other applicable provisions of the Income Tax Act, 1961 and other applicable laws including SEBI LODR read with the SEBI Circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, as amended from time to time ("**SEBI Circular**").

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Angel One Limited
(Formerly Known as Angel Broking Limited)
CIN: L67120MH1996PLC101709
SEBI Registration No Stock Broker: INZ000161534,
CDSL: IN-DP-384-2018, PMS: INP00001546,
Research Analyst: INH000000164, Investment Advisor: INA000008172,
AMFI Regn. No. ARN-77404, PFRDA, Regn. No.-19092018.





C. RATIONALE OF THE SCHEME:

Over the course of time, Angel One Group has grown into a diversified fintech business, which consists of multiple offerings across equity, commodity and currency derivative broking, margin trading facility, depository services, distribution of mutual funds, bonds and insurance products, along with research analyst and investment advisory services. The Group, through its flagship company, Angel One Limited, recently received an in-principle approval from the Securities and Exchange Board of India (SEBI) to act as a sponsor and to set up a mutual fund.

The strategic businesses, which are core focus areas for the Group include:

- (1) Broking across equity, commodity and currency derivative segments, margin trading facility, depository services;
- (2) Distribution of third party manufactured financial products viz: Mutual Funds, Insurance (Life and General), primary market securities, Loan Products, Bonds, Credit Cards etc;
- (3) Develop and launch various Mutual fund schemes through its proposed AMC.

Each of these strategic businesses has and will continue to acquire critical mass, requiring flexibility and independence to grow faster in the ever-evolving digital, technology and innovation-driven environment. Each of the aforesaid Strategic businesses may have differentiated strategies and amongst other things, operate under different market dynamics and growth trajectory. The nature and competition involved in each business is distinct from others.

Angel One Group has an extensive client base, which has been acquired and nurtured through two distinct channels: (i) a resilient network of APs/ Affiliates and (ii) direct acquisition of clients facilitated by its digital marketing and sales efforts, organic sourcing, client referrals and through Digital Referral Associates (DRAs), through its cutting-edge digital platforms. Each of the aforesaid channels have different dynamics and growth trajectory with distinct areas of focus. Considering the diversity and the substantial client base of each of these business channels, it is now being felt that the two channels should be managed under separate entities, to enable them to grow further and become leading players under the respective customer segments, thus enabling the focused offerings for their respective client

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base. Angel One Limited already employs a sophisticated approach to discern and track the acquisition, engagement and progression of clients under each of the aforesaid channels enabling a thorough understanding of their respective growth trajectories.

In order to further enhance operational efficiency and optimize the management bandwidth across strategic businesses within the Angel One Group, a decision has been made to streamline the business under each of these two channels into two separate legal entities. This will enable the provision of dedicated management and resources for each specific channel. The primary objective is to foster growth and establish increased and focused control over the businesses acquired from each channel. To achieve this, the Transferor Company has proposed to transfer its business driven by clients acquired through its network through APs/ Affiliates along-with those Affiliates, to Transferee Company 1 and its business driven by clients acquired directly to Transferee Company 2.

The transfer of Business Undertakings to its two wholly owned subsidiaries ('WOSs') represents a strategic step by the Angel One Group towards achieving a more focused and efficient organizational structure. This reorganization will enable the group to capitalize on specific market opportunities across both channels while preserving the value within the Group.

The Transferor Company has developed a Super App through which it provides a complete suite of financial services to its clients across all channels. The Super App has capability to evaluate and offer insightful analysis through its robust and seamless artificial intelligence and data analytics capabilities, significantly enhancing customer experience across the board. The Super App is evolving into a comprehensive platform for all financial services being offered to the clients. The Transferor Company intends to continue housing the Super App in the flagship company.

As a holding company, the Transferor Company intends to serve as a flagship company for all its subsidiaries and promote business excellence within the group by providing best-in-class services such as research analyst and investment advisory, tech-infrastructure and development, product development, facility

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management, lead generation for clients and AP, call center and contact center operations, data analytics and strategic analysis, governance and business support services. Additionally, the Transferor Company is committed to enhancing its brand equity and promoting the business of the two business undertakings by leveraging its reputation of trust and reliability.

The transfer of the Business Undertakings to the WOSs will enable the management of the respective businesses to concentrate their resources and managerial bandwidth entirely on the specific client profiles, resulting in operational efficiencies, better overall synergies and most importantly a much better curated experience for the client base, leading to cost efficiencies and significant scalability, focused strategies, better coordination and cohesiveness in their working and standardized business processes. The proposed restructuring pursuant to the said Scheme is expected, inter alia, to result in the following benefits:

- a) Enhance competence and to make it future ready for exploring other product offerings within the financial service domain and strengthen focused growth;
- b) Establish targeted workforce and management for achieving the higher growth and expansion across each undertaking;
- c) Promote exclusive goal-driven-culture for respective undertakings and build result focused teams;
- d) Enhance investors and stakeholders' benefits with thorough visibility into the performance, prospects, and strategies across both the undertakings.

D. IMPACT OF THE SCHEME:

i. Effect on each class of shareholders (promoter and non-promoter shareholders):

Pursuant to the Scheme, the entire Business Undertaking 1 and Business Undertaking 2 (as defined in the Scheme) of the Transferor Company shall be transferred to the Transferee Company 1 and Transferee Company 2 respectively.

Upon the Scheme becoming effective and upon arrangement of Transferor Company with the Transferee Company 1 and Transferee Company 2 in terms of this Scheme, the

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Transferee Company 1 and Transferee Company 2 shall issue and allot the CCPS to the Transferor Company at fair value.

The above Purchase Consideration for Business Undertaking 1 and Business Undertaking 2 is arrived at after taking into consideration the valuation report issued by valuers SSPA & Co., Chartered Accountant, Registered Valuers and Fairness Opinion issued by Fortress Capital Management Services Pvt. Ltd., Independent Merchant Banker which has been duly considered by the Committee and the Committee has come to the conclusion that said consideration is fair and reasonable.

E. COST BENEFIT ANALYSIS OF THE SCHEME:

Considering the rationale detailed above, the transfer of the Business Undertaking 1 and Business Undertaking 2 will enable the Transferor Company and Transferee Company 1 and Transferee Company 2 to concentrate their resources and managerial bandwidth entirely to such businesses which would result in the operational synergies, enable focused strategy, better coordination and cohesiveness in their working and assist in standardization of its business processes.

F. DOCUMENTS/ DRAFTS PLACED BEFORE THE COMMITTEE:

- i. Draft Scheme of Arrangement;
- ii. Valuation Report dated August 09, 2023, issued by valuer SSPA & Co., Chartered Accountant, Registered Valuer for Business Undertaking 1 and Business Undertaking 2;
- iii. Fairness Opinion report dated August 09, 2023, issued by Fortress Capital Management Services Pvt. Ltd., Independent Merchant Banker on the valuation report issued by the registered valuer for Business Undertaking 1 and Business Undertaking 2;
- iv. Statutory Auditor's certificate issued by S.R. Batliboi & Co. LLP, Statutory Auditors of the Company, as required under Section 230(7) of the Companies Act, 2013 certifying that the accounting treatment contained in the draft Scheme is in conformity with the accounting standards prescribed under Section 133 of the Companies Act.



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G. RECOMMENDATION OF THE COMMITTEE:

The Committee has reviewed the valuation reports, fairness opinions and other documents stated above and noted the recommendations made therein.

Taking into consideration the aforesaid, the Committee recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company.

For and on behalf of

Angel One Limited

(Formerly known as Angel Broking Limited)

Mala Tadarwal



Mala Tadarwal

(DIN: 06933515)

Chairperson of Audit Committee

Date: August 09, 2023

Place: Mumbai

