The Investment Trust of India Limited
(Erstwhile Fortune Financial Services (India) Limited)
Regd office : ITI House 36, Dr. R. K. Shirodkar Marg,
Parel, Mumbai 400 012

THE INVESTMENT TRUST OF INDIA

REPORT OF THE AUDIT COMMTTTEE OF THE BOARD OF DIRECTORS OF THE INVESTMENT TRUST OF INDIA LIMITED FOR RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT IN THE NATURE OF DEMERGER OF 'NON-LENDING BUSINESS UNDERTAKING' OF THE INVESTMENT TRUST OF INDIA LIMITED INTO DISTRESS ASSET SPECIALIST LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON JUNE 4, 2022 THROUGH VIDEO CONFERENCING. THE MEETING WAS COMMENCE AT 12:25 P.M AND CONCLUDED AT 12:50 P.M

The following Audit Committee Members were present through video conferencing:

Mr. Pankaj Rasiklal Bhuta	Chairman
Mr. Alok Kumar Misra	Member
Ms. Papia Sengupta	Member
Mr. Chintan Vijay Valia	Member

In attendance:

Mr. Satish Bhanushali, Company Secretary and Compliance Officer

1. Background

1.1. The proposal to consider and recommend draft Scheme of Arrangement in the nature of demerger of 'Non-Lending Business Undertaking' of The Investment Trust of India Limited ("**TITIL**" or "**Demerged Company**") into Distress Asset Specialist Limited, a wholly owned subsidiary company of TITIL ("**DASL**" or "**Resulting Company**") and their respective shareholders and creditors under Sections 230 to 232 of the Companies Act, 2013 read with applicable rules made thereunder ("**Scheme**") was placed before and considered by members of the Audit Committee of the Demerged Company at its meeting held on June 4, 2022.

1.2. The Equity Shares of TITIL are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**") (BSE and NSE are herein collectively referred to as "**Stock Exchanges**"). The Demerged Company will be filing the Scheme along with the necessary documents / information with the Stock Exchanges for their No Objection or No Observation Letter pursuant to Regulation 37 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and applicable statutory provisions.

1.3. This Report of the Audit Committee is made to comply with the requirements of SEBI LODR Regulations and master circular in relation to scheme of arrangement issued by Securities and Exchange Board of India ("**SEBI**") having No.

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SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 covering all circulars issued by SEBI in relation to scheme of arrangement including any amendments or modifications thereof, and any other circular issued pursuant to Regulations 11, 37 and 94 of SEBI LODR Regulations ("**SEBI Master Circular**"), considering following:

i. Draft Scheme of Arrangement, duly initialed by the director of the Company for the purpose of identification;

ii. Share Entitlement Ratio Report dated June 4, 2022 issued by CA Mayur Popat, an independent registered valuer (Registration No. IBBI / RV / 006 / 2019 / 11173) ("**Registered Valuer**") appointed for recommending the fair share entitlement ratio for the purpose of the draft Scheme;

iii. Fairness Opinion Report dated June 4, 2022 issued by Khambatta Securities Limited, Independent SEBI Registered Merchant Banker (Registration No. INM000011914) providing fairness opinion ("**Fairness Opinion**") on the share entitlement ratio recommended in the Share Entitlement Ratio Report issued by the Registered Valuer; and

iv. Draft certificate to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013, from the Statutory Auditors of the Resulting Company i.e., Ramesh M. Sheth & Associates, Chartered Accountants (ICAI Firm's Registration No. 111883W).

2. Proposed Scheme

2.1. The Scheme, inter-alia, provides the following:

i. Demerger, transfer and vesting of 'Non-Lending Business Undertaking' of The Investment Trust of India Limited into Distress Asset Specialist Limited, a wholly owned subsidiary company of TITIL; and

ii. Various other matters consequential or otherwise integrally connected herewith.

2.2. Appointed Date of the Draft Scheme is opening business hours of April 1, 2022.

2.3. The Effective Date for the Draft Scheme means the day on which last of the conditions specified in the Draft Scheme are complied with.

2.4. The Draft Scheme would be subject to the sanction or approval of the National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other Appropriate Authorities (as defined in the Draft Scheme).

3. Need for the arrangement and rationale of Scheme

THE INVESTMENT TRUST OF INDIA LIMITED

3.1. Incorporated in the year 1991, the Investment Trust of India Limited (Demerged Company), is one of the largest financial services conglomerates offering a range of financial products and services from Lending, Equities and Derivatives trading, Equity Research, Commodities Trading, Portfolio Management Services, Distribution of Mutual Funds, IPO & Insurance products and Investment Banking Services. The Demerged Company has come a long way and evolved from a fledging start-up to India's leading partner in finance.

3.2. The Demerged Company is the flagship company of the group catering to each of these business segments directly or indirectly through dedicated entities formed for carrying on specific businesses, more so given that most of these businesses are regulated by sectoral regulators and requires certain specific financial, operational or other parameters to be complied with. These various businesses can be grouped under two broad segments namely (i) lending business activities – which involves providing of loans or financial facilities to the customers, primarily comprising of businesses undertaken through non-banking finance companies (NBFC) and (ii) non-lending business activities – which involves providing various financial services and products including securities and commodities broking, fund management services (viz. mutual fund asset management services, portfolio management services, sponsor and investment managers for alternate investment funds etc.), merchant banking services and distribution of various financial products and services.

3.3. Historically, the Demerged Company has grown organically and inorganically by acquiring various businesses over the years. The requirements of each of these business segments viz. lending business activities and non-lending business activities, are distinct when compared with each other, including in terms of capital, operations, resources, knowledge, nature of risk, competitive advantage and strategies and the regulatory compliances. Each of these business segments are growing and becoming sizeable and have a distinct attractiveness to divergent set of investors, strategic partners and other stakeholders.

3.4. In light of aforesaid background and this being an appropriate time to unlock the potential value of each of these business segments, it is proposed through this Draft Scheme to segregate the lending business activities and non-lending business activities into two strong and distinctive business platforms and listed entities.

3.5. The proposed demerger will facilitate pursuit of scale and independent growth plans (organically and inorganically) with more focused management and flexibility as well as liquidity for shareholders (following the listing of equity shares of the Resulting Company pursuant to the Draft Scheme). This will assist in insulating and de-risking these business segments from each other. This will also facilitate the existing and potential investors and other stakeholders the option of being associated with the business segments of their choice. This will further open-up window to unlock value

THE INVESTMENT TRUST OF INDIA LIMITED

through potential divestments and acquisitions to achieve the scale of business in respective subsidiaries too.

3.6. The demerger, transfer and vesting of Non-Lending Business Undertaking on a going concern basis to the Resulting Company is intended, inter alia, to result in following benefits:

3.6.1. segregation and unbundling of the non-lending business activities of the Demerged Company into the Resulting Company, which will enable better, focussed and efficient control and management for the segregated businesses and promote their growth;

3.6.2. enhancing and unlocking of value for the shareholders and allow a focused strategy in operation of the respective business segments which would be in the best interest of the Demerged Company and the Resulting Company, shareholders, creditors and all persons connected therewith;

3.6.3. each business segment would be able to address independent business opportunities, pursue efficient capital raising and allocation and attract different sets of investors, strategic partners, lenders and other stakeholders; and

3.6.4. enhancing competitive strength, achieving cost optimisation, ensuring benefits through focused management of the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Resulting Company and the Demerged Company thereby significantly contributing to future growth and maximizing shareholders' value.

4. Synergies of business of the entities involved in the Scheme

The Committee reviewed the Draft Scheme and noted that the demerger would result in achieving efficiency in operational processes implementation of independent strategies specifically designed for the two businesses and in optimizing profitability.

Thus, the re-structuring is proposed to result into enhanced development and growth of the business of the Demerged Company with independent focus on each business segment and more productive utilization of such resources which would be beneficial for all stakeholders. Further, pursuant to the proposed Scheme, the benefits as stated in paragraph 3 above are proposed to be derived.

5. Impact of the Scheme on the shareholders

5.1. Pursuant to the Scheme, it is proposed to demerge, transfer and vest the Non-Lending Business Undertaking (*as defined in the Scheme*) from the Demerged Company into the Resulting Company on a going concern basis and the Scheme will result in benefits and/or synergies to the Demerged Company as listed in paragraph 3 and 4 of this report.

THE INVESTMENT TRUST OF INDIA LIMITED

5.2. In consideration for the demerger, transfer and vesting of the Non-Lending Business Undertaking of the Demerged Company into the Resulting Company, all the equity shareholders (promoter and non-promoter) of the Demerged Company, as on the Record Date (*as defined in the Scheme*) shall receive equity shares of the Resulting Company in the same proportion as their holding in the Demerged Company. There will be no change in the economic interest of the shareholders of the Demerged Company, before and after Scheme. Similarly, the holders of Optionally Convertible Preference Shares (OCPS) in the Demerged Company shall also receive the OCPS in the Resulting Company in the same proportion as their holding in the Demerged Company and as per the share entitlement ratio determined for the equity shareholders and thus ensuring that their effective economic interest remains intact.

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 and thus ensuring the marketability and tradability of the equity shares issued by the Resulting Company.

6. Cost benefit analysis of the Scheme

Although the Scheme would lead to incurring of some cost towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Demerged Company and the Resulting Company.

7. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Share Entitlement Ratio Report, Fairness Opinion Report, certificate(s) issued by the Statutory Auditors of the Company and in view of above stated factors including the need and rationale of the Scheme, benefits and impact of the Scheme on the shareholders and in particular the fact that the Scheme is not detrimental to the interests of the shareholders of the Demerged Company, recommends the Draft 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 **The Investment Trust of India Limited**

Pankaj Rasiklal Bhuta
Chairman of the Audit Committee
DIN: 00171570
Place: Mumbai
Date: June 4, 2022