

**Report of Audit Committee of Prime Securities Limited (“the Company”) recommending the draft Composite Scheme of Arrangement for merger of Primesec Investments Limited (“PIL”) and Prime Commodities Broking (India) Limited (“PCBIL”), with and into Prime Securities Limited (“the Company”) and its shareholders and Reduction of Capital and Reorganisation of Reserves of the Company (“Scheme”)**


**Members Present:**

Mr. Pradip Dubhashi, Chairman  
Ms. Alpana Parida, Member  
Ms. Namrata Kaul, Member  
Ms. Smita Affinwalla, Member  
Mr. S. R. Sharma, Member

**In Attendance:**

Mr. Ajay Shah, Company Secretary  
Mr. N. Jayakumar – Managing Director  
Mr. Nikhil Shah, Head – Accounts and Finance

1. A draft of the Composite Scheme of Arrangement (“Scheme”) under Sections 230 to 232 read with Section 66 and Section 52 and other applicable provisions of the Companies Act, 2013 and the rules and regulations made thereunder, for recommendation by the Audit Committee to the Board of Directors as required in terms of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (“SEBI Circular”) issued by the Securities and Exchange Board of India (“SEBI”) (including any amendment(s) or modifications(s) thereto) read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, providing for merger of Primesec Investments Limited (“PIL” or “Transferor Company 1”) and Prime Commodities Broking (India) Limited (“PCBIL” or “Transferor Company 2”) with and into Prime Securities Limited (“the Company” or “Transferee Company”) and its shareholders and reduction of capital and reorganisation of reserves of the Company, has been placed before the Audit Committee by the management, for it to consider and recommend the said draft of the Scheme to the Board of Directors.



2. The Scheme inter-alia provides for the following:

Part 2 of the Scheme:

Amalgamation and vesting of Primesec Investments Limited and Prime Commodities Broking (India) Limited with and into Prime Securities Limited. No consideration will be issued by PSL and investments in PIL and PCBIL in the books of PSL shall be cancelled;

Part 3 of the Scheme:

Upon Part 2 of the Scheme, reduction of capital and reorganisation of reserves of Prime Securities Limited in the manner listed below:

- i. Set off of debit balance in Profit and Loss Account against balance in Capital Reserve, Capital Redemption Reserve, Share Forfeiture Account and balance (if any) against Securities Premium;
  - ii. Reclassification of General Reserve to Profit and Loss Account
3. The Equity shares of the Company are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("the NSE"). The Company will be filing the Scheme along with the necessary information / documents with the BSE and the NSE.
4. A meeting of the Audit Committee of the Company was held on Thursday, January 9, 2020 to consider and recommend to the Board of Directors of the Company on the proposed Scheme, steps of which are outlined as above.
5. The Audit Committee has considered the following documents,
- a. Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification;
  - b. Draft certificate obtained from the Statutory Auditors of the Company, M/s Walker Chandiook & Co. LLP, Chartered Accountants, confirming that the Scheme is in compliance with the applicable accounting treatment notified under Companies Act, 2013, and other generally accepted principles as required under




Paragraph I(A)(5) of Annexure I of the SEBI Circular (CFD/DIL3/CIR/2017/21) dated March 10, 2017;

- c. Draft undertaking to be provided by the Company to the Statutory Auditors of the Company, M/s Walker Chandiook & Co. LLP, Chartered Accountants, for non-applicability of majority of minority approval in terms of Paragraph I(A)(9)(a) and Paragraph I(A)(9)(b) of Annexure I of the SEBI Circular (CFD/DIL3/CIR/2017/21) dated March 10, 2017;
- d. Draft certificate by the Statutory Auditor of the Company, M/s Walker Chandiook & Co. LLP, Chartered Accountants, confirming the non-applicability of majority of minority approval in terms of Paragraph I(A)(9)(a) and Paragraph I(A)(9)(b) of Annexure I of the SEBI Circular (CFD/DIL3/CIR/2017/21) dated March 10, 2017;
- e. Audited financial statements of PIL, PCBIL and PSL for the last 3 years.

Audit Committee has also noted that there is no issuance of share and change in shareholding of the Company pursuant to the Scheme and accordingly the requirement of obtaining Valuation Report and Fairness Opinion under Paragraph I(A)(4) and Paragraph I(A)(2) of Annexure I of the SEBI Circular (CFD/DIL3/CIR/2017/21) dated March 10, 2017 do not apply to the Scheme.

- 6. The Audit Committee has perused the provisions in the Scheme which, inter alia, contains the rationale for the proposed Scheme of Arrangement. The Audit Committee noted as under:
  - a. As regards Part 2 of the Scheme, the Company owns the entire share capital in PIL and PCBIL. Integration of the business of PIL and PCBIL with and into the Company can provide benefits to the shareholders / stakeholders as under:
    - i. Reduction in the management overlaps due to operation of the multiple entities and more focused leadership;
    - ii. Reduction in multiplicity of legal and regulatory compliances, reduction in overheads, including administrative, managerial and other costs amongst all;



- iii. Synergy benefits, such as, competitive edge, consolidation of businesses to combine growth opportunities to capitalize on future growth potential which would in-turn significantly help in efficient utilization of financial and operational resources; and
    - iv. Consolidation and simplification of the Group structure and reduction of administrative costs at the Group level;
  - b. As regards Part 3 of the Scheme, reduction of capital and reorganisation of reserves of the Transferee Company in the manner set out in this Scheme can provide benefits to the shareholders / stakeholders as under:
    - i. Under this Scheme, if approved, the Company will represent its true and fair financial position;
    - ii. The Scheme will enable the Company to explore opportunities for the benefit of the shareholders of the Company including in the form of dividend payment per the applicable provisions of the Companies Act, 2013;
    - iii. The Scheme would not have any impact on the shareholding pattern and the capital structure of the Company;
    - iv. The Scheme will enable the Company to use the amount lying in the Capital Reserve, Securities Premium and General Reserves of the Company.
    - v. The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Company to meet its obligations / commitments in the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Company.
7. In respect of share exchange ratio, the Audit Committee noted, deliberated and confirmed that pursuant to merger of PIL and PCBIL into PSL, no shares would be issued by the Company as entire share capital of PIL and PCBIL is held by the Company itself.



8. Further, the statutory auditors of the Company has confirmed that the accounting treatment as specified in the Scheme are in accordance with the applicable accounting standards specified under the provisions of the Companies Act, 1956 and/or Companies Act, 2013, and the generally accepted accounting principles in India.
9. Further, the proposed Appointed Date is April 1, 2020.
10. In light of the foregoing, the Audit Committee after due deliberations and due consideration of all the terms of the Draft Scheme and the specific points mentioned above, recommends the Draft Scheme for favourable consideration by the Board of Directors of the Company.

By Order of the Audit Committee  
For **Prime Securities Limited**



**Pradip Dubhashi**  
**Chairperson of the Audit Committee**

Mumbai,  
January 9, 2020