ICICI Securities

December 8, 2020

National Stock Exchange of India Limited
Listing Department,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051

BSE Limited
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref: NSE Symbol - ISEC and BSE Scrip Code - 541179

This is to inform that Securities and Exchange Board of India (SEBI) has *vide* enclosed letter bearing reference number SEBI/HO/CFD/DCR2/OW/P/2020/21109/1 dated December 7, 2020 cautioned ICICI Securities Limited ('the Company') to be careful in future and ensure compliance with the provisions of SEBI (Research Analysts) Regulations, 2014 and exercise due care for accuracy in Research reports. This was in the context of Research report issued by Institutional Research Desk of the Company on Vedanta Limited.

The Company believes that letter does not have any material impact on the financial position of the Company.

Kindly take the above on your records and oblige.

Thanking you.

Yours faithfully,
For ICICI Securities Limited

Raju Nanwani
Senior Vice President &
Company Secretary

Encl: As above

General Manager
Corporation Finance Department
Division of Corporate Restructuring-II
Email: achals@sebi.gov.in

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange Board of India

SEBI/HO/CFD/DCR2/OW/P/2020/21109/1
December 07, 2020

ICICI Securities Ltd.
ICICI Centre, H.T. Parekh Marg,
Churchgate,
Mumbai, Maharashtra, 400020

Dear Sir/Ma'am,

Sub: Misstatements in the Equity Research Report on Vedanta Ltd.

1. This has reference to the Equity Research Report on Vedanta Ltd. ("Vedanta") issued by ICICI Securities ("**ISEC**") dated October 05, 2020 (hereinafter referred to as "**Equity Research Report**") wherein under the head of Valuation methodology and key risks it was, *inter-alia*, stated that Vedanta has highlighted the **SEBI approved book value** of Rs. 89.3/share.

2. As an intermediary registered with SEBI in various capacities including as a research analyst and merchant banker, ISEC is aware that in terms of SEBI (Delisting of Equity Shares) Regulations, 2009, offer price is determined through book building after fixation of floor price in terms of Regulation 8(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations"). Further, as per the provisions of the SAST Regulations, valuation parameters including book value are not considered for the determination of floor price in case of frequently traded shares.

3. Since the Equity Research Report was issued at the time when the bidding under the Reverse Book Building process for Vedanta was underway, the aforesaid misstatement of fact had the potential to affect the ongoing bidding session.

4. Pursuant to various telecommunications, SEBI vide its email dated October 06, 2020 (at 13:04 hrs), *inter-alia*, brought the above issue to the notice of ISEC. ISEC was also advised to initiate immediate remedial action on the aforesaid misstatement and provide the status to SEBI by the end of the same day.

5. Subsequently, vide email dated October 06, 2020 (at 21:34 hrs) SEBI was informed about the press release issued by ISEC, with the following rectification-

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051
Tel : 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in

"The Institutional Research Team of ICICI Securities had issued Research Report on the Q1 results of Vedanta Ltd on October 5, 2020. In this report it was inadvertently mentioned that – Vedanta has highlighted the SEBI approved book value (ex the revaluation reserves) of Rs 89.3 /share. The same should be read as - Vedanta has highlighted that the FY20 book value is Rs 89.3 /share.

SEBI, as a matter of policy, neither approves nor disapproves any Book Value or Delisting Price."

6. It was however noted that there was no rectification in the Equity Research Report which was the primary document carrying the aforesaid misstatement. This was highlighted to ISEC through telecommunications and also vide SEBI's email dated October 07, 2020.

7. In the intervening period, you modified the Equity Research Report on Vedanta (hereinafter referred to as "**Modified Equity Research Report**"), however it again misstated that book value is as per SEBI (Delisting of Equity Shares) Regulation, 2009, which was again contrary to the laws as well as the public notice issued by ISEC itself, on October 06, 2020.

8. Given the continuous misleading and misstatements in the Equity Research Reports, SEBI vide email dated October 07, 2020 advised ISEC to take remedial measures by rectifying mistakes in the modified equity research report and also issuing an advertisement in editions dated October 08, 2020 of the same newspaper/s where the Public Announcement to delisting process was made in the following manner-

   "As directed by SEBI, we are hereby issuing the following clarification on the misstatement given by us in in the Equity research report on Vedanta dated 5th October, 2020-

   The Institutional Research Team of ICICI Securities had issued Research Report on the Q1 results of Vedanta Ltd on October 5, 2020. In this report it was inadvertently mentioned that - Vedanta has highlighted the SEBI approved book value (ex the revaluation reserves) of Rs 89.3 /share. The same should be read as - Vedanta has highlighted that the FY20 book value is Rs 89.3 /share.

   SEBI neither approves nor disapproves any listing price, de-listing price or Book Value"

9. Consequently, vide ISEC's email dated October 08, 2020, it was informed that public notice has been made in all nation-wide editions of Economic Times, Times of India, Financial Express, Mint and Business Standard newspapers (dated October 08, 2020).

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Further, it was informed that both the Equity Research Report and modified Equity Research Report have been recalled and the rectified report has been issued.

10. Further, vide various correspondences with SEBI, ISEC has informed the following-

    a) ISEC does not have any ongoing or prior Investment Banking relationship with Vedanta stretching back to at least last 3-4 years.
    b) That the Risk Management Committee (RMC) and Audit Committee (AC) of ISEC have been informed of the error in the Equity Research Report, SEBI's observations thereon and corrective action taken to address the same in their respective meetings held on October 15, 2020.
    c) Both the RMC and AC were also informed that an independent committee comprising of members from Risk group, Internal Audit Group and Human Resources Group was constituted to review the internal process followed before issuing the research reports, to review industry best practices in connection with review of reports before publication and to recommend any process improvements required to be implemented on a holistic basis etc., in order to avoid recurrence of such instances in future.
    d) The RMC and AC have noted the same, and have given their initial suggestions which have been taken on-board for further evaluation and necessary implementation. Further, the RMC and AC have also advised the independent committee's report may be submitted in the next meeting of the AC, for its review and any further deliberations on future course of action.

11. Your attention is drawn to the sub-regulation 1 of Regulation 20 of SEBI (Research Analyst) Regulations, 2014 (RA Regulations), which states that a research analyst or research entity shall take steps to ensure that facts in its research reports are based on reliable information and shall define the terms used in making recommendations, and these terms shall be consistently used. Further, clause 2 of the Code of Conduct specified under sub-regulation 2 of Regulation 24 of RA Regulations states that a research analyst or research entity shall act with due skill, care and diligence and shall ensure that the research report is prepared after thorough analysis.

12. The misstatements in the equity research reports of ISEC were rectified and remedial measures were undertaken, after considerable follow up with ISEC through various

communications, telephonic as well as email. As an intermediary registered with SEBI, ISEC should have exercised due care and diligence in Equity Research Reports.

13. ICICI Securities Ltd. is hereby cautioned to be careful in future, ensure compliance with the provisions of SEBI (Research Analyst) Regulations, 2014 and exercise due care for accuracy in its research reports.
14. Given the nature of the above stated non-compliance, ICICI Securities Ltd. is directed to place this letter before its Board of Directors in the next Board meeting for their consideration and also disseminate this letter to Stock Exchanges under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Yours faithfully,

Achal Singh

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