

KEYNOTE

ANNEXURE-12

REPORT ADOPTED BY THE COMMITTEE OF INDEPENDENT DIRECTORS OF KEYNOTE FINANCIAL SERVICES LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT SCHEME OF SELECTIVE REDUCTION OF SHARE CAPITAL AMONGST THE COMPANY, AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. BACKGROUND

A meeting of the Committee of Independent Directors ("Committee") of the Company was held on 8th December, 2023, to inter alia, consider and recommend the draft scheme of selective reduction of 14,51,702 fully paid up equity shares of Rs. 10/- (Rupees Ten) per Equity Share of the company held by "Keynote Trust" from the share capital of the Company, without payment of any consideration to "Keynote Trust" and making corresponding adjustment by way of debit to: (i) the paid-up equity share capital for Rupees 1,45,17,020/- and (ii) difference between the value of company's investment in Equity instruments of Keynote Financial Services Limited, held by "Keynote Trust" and the Share Capital being extinguished will be credited to 'Capital Reserve Account' in compliance with the generally accepted accounting principles in India, to be implemented under section 66 read with Section 52 of the Companies Act, 2013 ("Act") and other applicable provisions of the Act and the rules thereof, including any amendments thereof, as applicable.

This Report of the Committee made in compliance with the requirement of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 on scheme of arrangements by listed entities ("SEBI Circular") issued by Securities and Exchange Board of India ("SEBI").

The following documents were placed before the Committee:

1. Draft Scheme of capital reduction, duly initialed by the Company Secretary of the Company for the purpose of identification.
2. A Statutory Auditor's certificate dated December 8, 2023 issued by M/s S M S R & Co. LLP Chartered Accountants, certifying that the proposed accounting treatment in the books of the Company relating to selective reduction of capital of the Company as set out in Clause – Part – II (C) of the draft scheme is in conformity of the applicable accounting standards and generally accepted accounting principles in India ("Auditors' Certificate").

2. SALIENT FEATURES OF THE SCHEME ARE AS FOLLOWS:

- The Scheme provides for.
 - a. Cancellation and extinguishment of 14,51,702 (Fourteen Lakh Fifty-One Thousand Seven Hundred Two) fully paid-up equity shares of Rs. 10/- (Rupees Ten) each of the Company held by Keynote Trust for the sole benefit of the Company without payment of any consideration to Keynote Trust.

Keynote Financial Services Limited

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- b, Upon the Scheme becoming effective, share capital representing 14,51,702 (Fourteen Lakh Fifty One Thousand Seven Hundred Two) equity shares of the Company held by Keynote Trust i.e Rs. 1,45,17,020/- (Rupees One crore Forty Five Lakh Seventeen Thousand Twenty only) shall be cancelled, with adjustments by way of debit to (i) the paid-up equity share capital for Rupees 1,45,17,020/- and (ii) difference between the value of company's investment in Equity instruments of Keynote Financial Services Limited, held by "Keynote Trust" and the Share Capital being extinguished will be credited to 'Capital Reserve Account' in compliance with the generally accepted accounting principles in India.

The Scheme shall be effective from the date on which the certified copy of the order passed by the NCLT sanctioning the scheme and minutes of reduction is filed with the Registrar of Companies, Maharashtra, Mumbai ("ROC").

- This Scheme is and shall be conditional upon and subject to: -
 - a. The approval by the Board and the members of the Company through special resolution and provided that the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it through e- voting in terms of the SEBI Circular;
 - b. The approval of the creditors of the Company as prescribed under the Act and/or as may be directed by NCLT and/or any other appropriate authority as may be applicable;
 - c. The Company obtaining the observation letter from the relevant stock exchange i.e the BSE Limited (designated Stock Exchange) for the implementation of the Scheme;
 - d. sanction by the NCLT, under Section 66 and any other applicable provisions of the Act;
 - e. Certified copy of the order of the NCLT sanctioning the Scheme and the minute of reduction being filed with the Registrar of Companies, Maharashtra, Mumbai ("RoC") by the Company; and
 - f. The requisite, consent, approval or permission of the Central Government or any other statutory or regulatory authority, if any, which by law may be necessary for the implementation of the Scheme. In terms of the SEBI Circular, a report from the Committee is required; recommending the draft scheme, taking into consideration, inter alia that the draft scheme is not detrimental to the shareholders of the Company.

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3. RATIONALE OF THE PROPOSED SCHEME OF REDUCTION OF CAPITAL:

The rationale and benefits of the proposed Scheme are as follows:

- a) This Scheme of Selective reduction of capital is made by Keynote Financial Services Limited in accordance with the provisions of Section 66 of the Companies Act, 2013, read with the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 and other applicable provisions, if any. The primary objective of this scheme is to reorganize and selectively reduce the equity share capital of Keynote Financial Services Limited.
- b) Pursuant to the Scheme of Amalgamation of Cobal Investment Company Limited, Starline Ispat and Alloys Limited, Galaxy Leasing Limited, Keynote Finstock Limited, Plethora Investment Company Limited, and West Coast Lighterage Company Private Limited into the Company duly sanctioned by Hon'ble High Court of Judicature at Allahabad, vide order dated December 21, 2006, Hon'ble High Court of Judicature at Bombay vide order dated March 9, 2007 and Hon'ble High Court of Judicature at Guwahati vide order dated March 19, 2007 and becoming fully effective led to allotment of shares of the Company to the shareholders of the Transferor Companies. Accordingly, implementation of this Scheme would have lead to the Company holding shares of itself. Upon the Scheme becoming effective, these share were transferred to the trustees of the Keynote Trust ("Trust") This Trust was holding these shares for the exclusive benefit of the company and the shares held by the Keynote Trust are contingent on the Trust's existence. Therefore, to better represent Keynote Financial Services Limited Capital Structure, it is necessary to realign and reorganize the Share Capital by cancelling the Shares held by the Trust through the process of Capital reduction.
- c) Upon the Scheme becoming effective, the Company would be able to better represent its shareholding pattern. This Scheme would be value accretive to the shareholders as well, as their holding would yield better results.
- d) Upon the Scheme becoming effective, it would enable the Company to explore opportunities for the benefit of its Shareholders, including higher form of dividend payments, in terms of the applicable laws.
- e) The Scheme after full implementation will result in making the Company's balance sheet leaner and rationalised.
- f) The Scheme, if approved by the shareholders and NCLT, would provide greater flexibility to the Company in raising funds either from the capital market or from any bank/ financial institutions in the form of equity or debt, depending on the business needs of the Company.

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- g) The present reduction of the Equity Share Capital of the Company is also being carried out inter-alia to:
- a. satisfy the need of the Company to re-adjust the relation between its capital and assets; and
 - b. represent the liabilities and assets of the Company in its books of accounts to be able to operate with the leaner balance sheet; and
 - c. ensure that the financial statements of the Company are realigned and reorganised as per Companies Act, 2013.
- h) The reduction of capital in the manner proposed would enable the company to have a rational structure which is commensurate with its remaining business and assets.
- i) The proposed reduction of the Equity Share Capital will be for the benefit of the Company and its Equity Shareholders, Creditors and all other concerned stakeholders as a whole.
- j) Upon the Scheme becoming effective and after obtaining the necessary approvals, consent, permissions, Keynote Trust whose Equity Shares are being cancelled in the manner prescribed under this Scheme will receive NIL consideration as against the said cancellation/ extinguishment of the Equity Share Capital, including but not limited to redemption amounts or exit consideration thereon (whether such consideration is the nominal value of the shares or higher), all outstanding dividends, and share premiums, if any.
- The Committee reviewed and noted that-
 - a. The Fairness Opinion confirmed the fairness of the Valuation Report; ;
 - b. The Scheme does not envisage any payment to Keynote Trust against cancellation of their fully paid-up equity shares in the Company.
 - c. Upon effectiveness of the Scheme, the paid-up equity share capital of the Company shall become Rs. 5,56,66,370/- (Five Crore Fifty Six Lakh Sixty Six Thousand Three Hundred Seventy only) divided into 55,66,637 (Fifty Five Lakh Sixty Six Thousand Six Hundred Thirty Seven) equity shares of Rs. 10/- (Rupees Ten) each.
 - d. The proposed accounting treatment in the books of the Company relating to the reduction of share capital as set out in PART – II under the heading “ACCOUNTING TREATMENT” of the draft scheme is outside the purview of the applicable accounting standards specified under section 133 of the Companies Act, 2013.

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- e. The selective capital reduction will not cause any prejudice to the creditors of the Company as there will not be any reduction in the amount payable to the respective creditors.
 - After an independent assessment of the draft Scheme and taking into consideration the Valuation report, Fairness Opinion and Auditor's Certificate, the members of the Committee formed an opinion that the implementation of the proposed scheme is in the interest of the Company and its shareholders, creditors and other stakeholders.
4. **Recommendation of the Committee**

The Committee hereby approves and recommends the Scheme for favorable consideration by the Board, Stock Exchange(s) and other appropriate authorities.

**For and on behalf of Independent Director's
Committee of Keynote Financial Services Limited**



**Shishir Dalal
(Chairman of Committee of Independent Directors)"**

**Date: 8th December, 2023
Place: Place**



**CERTIFIED TRUE COPY
For Keynote Financial Services Limited**

Company Secretary

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