

KEYNOTE

Ref # Key25/Stock Exchange Let/Sk (67)

January 9, 2025

The Manager
BSE Limited,
Listing Department,
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 512597

The Manager
National Stock Exchange of India Ltd.
Listing Department,
Exchange Plaza, C-1, Block - G,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051
Symbol: KEYFINSERV

Dear Sir/Madam,

Sub: Disclosure under Regulation 30(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Re: Approval of the Scheme of the "Selective Capital Reduction" undertaken by Keynote Financial Services Limited ("The Company") and its shareholders and creditors

This is further to our intimation dated October 16, 2024, we wish to inform that the Hon'ble National Company Law Tribunal, ("NCLT") Mumbai, has, today i.e. January 9, 2025, pronounced the order, approving the Scheme of Selective Capital Reduction between Keynote Financial Services Limited and its shareholders and creditors, subject to the provisions of Section 66 and any other applicable provisions of the Companies Act, 2013.

In this regard, we enclose herewith a copy of the order dated January 9, 2025, passed by the Hon'ble National Company Law Tribunal, ("NCLT") Mumbai, approving the said Scheme of Selective Capital Reduction.

Upon effectiveness of the Scheme of Selective Capital Reduction, the share capital of the Company shall stand reduced from Rs. 7,01,83,390/- (Rupees Seven Crore One Lakh Eighty-Three Thousand Three Hundred and Ninety Only) comprising of 70,18,339 (Seventy Lakh Eighteen Thousand Three Hundred and Thirty Nine) of Rs. 10/- (Rupees Ten Only) each to Rs. 5,56,66,370/- (Rupees Five Crore Fifty Six Lakh Sixty Six Thousand Three Hundred and Seventy) comprising of 55,66,637 (Fifty Five Lakh Sixty Six Thousand Six Hundred and Thirty Seven) of Rs. 10/- (Rupees Ten Only) each by cancelling and extinguishing 20.68 % of the total subscribed and paid-up equity share capital of the Company (the "Selective Capital Reduction") comprising of 14,51,702 subscribed and fully paid-up equity shares of Rs. 10/- (Rupees Ten Only) each (the "Identified Shares") held by Keynote Trust (the "Identified Shareholders") without any payment of consideration by the Company.

Keynote Financial Services Limited

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400028
Tel : 91 22 6826 6000 Fax : 91 22 6826 6088 Email : info@keynoteindia.net Website :

www.keynoteindia.net

CIN - L67120MH1993PLC072407

KEYNOTE

The Scheme of Selective Capital Reduction will become effective once a certified copy of the Order of the Hon'ble NCLT is filed with the Registrar of Companies, Mumbai.

This disclosure is being made in terms of Regulation 30 of the Securities and Exchange Board of India **(Listing Obligations and Disclosure Requirements) Regulations, 2015** as amended.

Kindly take the same on your record and acknowledge.

Thanking you and assuring you of our best co-operation at all times

For **Keynote Financial Services Limited**

Simran Kashela
Compliance officer and Company Secretary

Encl:a/a

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CIN - L67120MH1993PLC072407

**IN THE NATIONAL COMPANY LAW TRIBUNAL,
MUMBAI BENCH, COURT – V**

CP / 89/ (MB) 2024

In the matter of Section 66 of the
Companies Act, 2013 and the Rules
framed thereunder;

AND

In the matter of Reduction of Equity
Share Capital of Keynote Financial
Services Limited

Keynote Financial Services Limited,)

A company incorporated under)

Companies Act, 1956 having its)

registered office at The Ruby, 9th floor,)

Senapati Bapat Marg, Dadar (West))

Mumbai City MH 400028 IN.)

CIN L67120MH1993PLC072407

...Petitioner Company

Order Dated:09.01.2025

Coram:

Hon'ble Ms. Reeta Kohli, Member (Judicial)

Hon'ble Ms. Madhu Sinha, Member (Technical)

Appearance :

For the Petitioner Company: Mr. Hemant Sethi a/w Ms. Devanshi Sethi, Tanaya
Sethi. Advocates

ORDER

1. Heard Learned Counsel for the Petitioner Company and the representative from the Regional Director (WR). No objector has come before the Tribunal to oppose the Petition and nor any party has controverted to any averments made in the Petition.
2. Learned Counsel for the Petitioner Company submits that the Petitioner Company is authorised to undertake reduction of share capital under Article 40 of the Articles of Association in any manner as authorised by passing a special resolution, pursuant to which the Petitioner Company shall selectively reduce the subscribed and paid-up equity share capital of the Company from Rs. 7,01,83,390/- (Rupees Seven Crore One Lakh Eighty-Three Thousand Three Hundred and Ninety Only) comprising of 70,18,339 (Seventy Lakh Eighteen Thousand Three Hundred and Thirty Nine) of Rs. 10/- (Rupees Ten Only) each to Rs. 5,56,66,370/- (Rupees Five Crore Fifty Six Lakh Sixty Six Thousand Three Hundred and Seventy) comprising of 55,66,637 (Fifty Five Lakh Sixty Six Thousand Six Hundred and Thirty Seven) of Rs. 10/- (Rupees Ten Only) each by cancelling and extinguishing 20.68 % of the total subscribed and paid-up equity share capital of the Company (the “Selective Capital Reduction” or “Scheme”) comprising of 14,51,702 subscribed and fully paid-up equity shares of Rs. 10/- (Indian Rupees Ten Only) each (the “Identified Shares”) held by Keynote Trust (the “Identified Shareholders” or “Trust”) without any payment of consideration by the Company. The said special resolution was approved unanimously by the equity shareholders of the Petitioner Company as per the special resolution dated 7th June, 2024. Copy of Resolution is annexed as Annexure J to the Company Petition (page No 469 - 473).

3. Nature of Business:

The Petitioner Company is primarily engaged in the business of investment bank and Brokerage house offering integrated financial advice and services. The Petitioner Company is registered as SEBI Category I Merchant Banker.

4. The issued, subscribed, and paid-up share capital of the Petitioner Company as on 31st March, 2024 is as under:

Particulars	Amount (in INR)
Authorized Share Capital	
1,50,00,000 Equity Shares of Rs.10/- Each	15,00,00,000/-
Issued Capital	
1,12,74,417 Equity shares of Rs.10/- each	11,27,44,170/-
Subscribed and Paid-Up Capital	
70,18,339 Equity Shares of Rs.10/- each fully paid up	7,01,83,390/-

The shareholding pattern of promoters and public is as follows:

Category of Shareholder	No. of Shareholders	Total no. of Shares held
Promoter and Promoter Group	10	39,60,368
Public	4050	30,57,971
Total	4060	70,18,339

Subsequent to this date, there has been no change in capital structure of the Petitioner Company.

5. The Learned Counsel for the Petitioner Company submits that the rationale for reduction of share capital of the Petitioner Company is:

- a) *This Scheme of selective reduction of capital is made by Keynote Financial Services Limited formerly known as Keynote Corporate Services limited in accordance with the provisions of Section 66 of the Companies Act, 2103 read with 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) *The present reduction of the Equity Share Capital of the Company is also being carried out inter-alia to:*
 - a. *re-adjust the relation between its capital and assets; and*
 - b. *to realign & reorganise the share Capital in accordance with compliance as per Companies Act, 2013.*
 - c. *ensure that the financials Company reflects the current position of the Company in accordance with Shareholding Pattern and Voting Rights.*
- c) *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.*

- d) *Pursuant to 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 the Hon'ble High Court of Judicature at Allahabad, vide order dated 21st December, 2006, Hon'ble High Court of Judicature at Bombay, vide order dated 9th March, 2007 and Hon'ble High Court of Judicature at Guwahati, vide order dated 19th March, 2007 and becoming fully effective led to allotment of shares of the Company to the shareholders of Transferor Companies. Accordingly, implementation of this Scheme would have lead to the Company holding shares of itself. Upon Scheme becoming effective, these shares were transferred to the trustees of the Keynote Trust. Therefore, to better represent Keynote Financial Services Limited's Capital Structure, its is necessary to realign and reorganize the Share Capital by cancelling the Shares held by the Trust through the process of Capital reduction.*
- e) *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.*
- f) *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.*
- g) *The Scheme after full implementation, will result in making the Company's balance sheet leaner and rationalised.*

- h) *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.*
- i) *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.*
6. The Article 40 of the Articles of Association of the Petitioner Company authorizes the Petitioner Company to reduce its share capital from time to time by Special Resolution in any manner as authorized by law. The relevant extract of the said article is produced as under:
- “The Company may, by special resolution reduce in any manner and with and subject to, any incident authorized and consent required by law*
- a) *Its share capital*
- b) *Any capital redemption reserve account; or*
- c) *Any share premium account.”*
7. The Regional Director (Western Region), Ministry of Corporate Affairs, Mumbai, has filed a report dated October 15, 2024 *inter alia* making the following observations which are produced hereunder to which the Petitioner

has filed its responses by way of an Affidavit in rejoinder dated October 16, 2024 and served upon the Regional Director on October 16, 2024.

Para No	Observations of the report of the Regional Director dated October 15, 2024	Response / Undertaking / Submission of the Petitioner Company
6	<i>That the report of the Registrar of Companies, Mumbai in relation to the reduction of share capital of the company u/s 66 of Companies Act, 2013 has not been received by the Directorate till date. Therefore ROC, Mumbai has been advised to file his report separately before the Hon'ble NCLT u/s 66 of the Companies Act, 2013 along with his observations on the scheme including status of inquiry/inspection/ investigation/ follow up action, complaints, and prosecution if any pending against the Petitioner Company before deciding the present scheme. However, the Directorate reserves the right to file further affidavit/report on</i>	The Petitioner Company states copy of notice along with petition was served on ROC vide a letter dated 15 th July, 2024. ROC has subsequently filed his report with the Regional Director. In pursuance of the report of the ROC, the Regional Director has filed his Supplementary Report dated 22 nd October 2024 making certain observations to which the Petitioner has filed his response vide affidavit dated dated 7 th November 2024. Petitioner has undertaken that the interest of creditors and minor shareholders/stakeholders.

	<i>receipt of ROC, Mumbai report in the matter.</i>	
7(A)	<i>The proposed reduction of share capital is selective reduction however the company proposes to cancelling 14,51,702 shares which are listed on BSE/NSE without any payment to the shareholder.</i>	<p><u>Response to observations in sub-paragraph (A) of paragraph (7):</u></p> <p>The Petitioner Company states that the same is merely factual. The Petitioner Company states that the present Scheme of Reduction is Selective Capital Reduction and all the proposed 14,51,702 subscribed and fully paid-up equity shares of Rs. 10/- (Indian Rupees Ten Only) each, without payment of any consideration, are held by an identified shareholder i.e. Keynote Trust. The Petitioner Company states that Keynote Trust has explicitly provided a No Objection Certificate dated 8th December, 2023 which is annexed to the Company Petition and for sake convenience annexed and marked hereto as <u>Annexure-‘B’</u>. Further, the proposed Scheme of Capital Reduction was approved by the</p>

		<p>Board of Director's on 8th December, 2023 and subsequently unanimously approved in the Extra Ordinary General Meeting as stated in the Special Resolution dated 7th June, 2024.</p>
7(B)	<p><i>Applicant to submit an Affidavit to the effect that the interest of creditors and all stakeholders and Government Revenue are protected as well as statutory dues are paid off.</i></p>	<p><u>Response to observations in subparagraph (B) of paragraph (7):</u></p> <p>The Petitioner Company is concerned the Petitioner Company undertakes that interest of all the creditors, stakeholders as well as the Government Revenue are protected and all the statutory dues are paid off by the Petitioner Company.</p> <p>Further the Petitioner Company states that as per the creditors list as on 21st June, 2024 as certified by the Chartered Accountant (Annexure Q of the Petition, Pg. Nos. 515-518), there were NIL secured creditors and 11 (eleven) unsecured creditors to</p>

		<p>the value of Rs.43,72,137.05 (Forty-three Lakhs Seventy-Two Thousand One Hundred and Thirty-Seven and Fifty Paise). The Petitioner Company confirms that as on date all the unsecured creditors are duly paid off. Further the reduction is in the nature of book entry as there is no cash outflow.</p>
<p>7(C)</p>	<p><i>The tax implication if any arising out of the proposal for reduction is subject to final decision of the Income Tax Authorities. The approval of the Company Petition by. The Hon'ble Court may not deter the Income Tax Authority to scrutinize the tax return filed by the Company after giving effect to the proposed reduction. The decision of the Income Tax Authority is binding on the petitioner Company, if applicable.</i></p>	<p><u>Response to observations in subparagraph (C) of paragraph (7):</u></p> <p>The Petitioner Company submits that the tax implications, if any, arising out of the proposal for reduction is subject to final decision of the Income Tax Authorities. The approval of the Company Petition by this Tribunal may not deter the Income Tax Authority to scrutinize the tax return filed by the Petitioner Company after giving effect to the proposed reduction and all issues arising out of scheme for reduction will be decided in accordance with law.</p>

<p>7(D)</p>	<p><i>The petitioner company has mentioned in Para 3 of petition that it is engaged in the business of Trading and Investment in shares and securities of all kinds. In this regard it is submitted that whether approval of SEBI/ Stock Exchange is required or not, as if required then the company shall obtain before approval of the scheme.</i></p>	<p><u>Response to observations in sub-paragraph (D) and (E) of paragraph (7):</u> The Petitioner Company is engaged in the business of Trading and Investment in shares and securities of all kinds, the Petitioner Company had filed necessary applications before BSE Ltd. and NSE Ltd. seeking their no-objection to the Scheme prior to filing the present Petition before the Hon'ble Tribunal. BSE Ltd. and NSE Ltd. had issued observation letters dated 15th April, 2024 and 22nd April, 2024 respectively to the above proposed Selective Capital Reduction. Copies of the aforesaid Observation Letters issued by BSE Ltd. and NSE Ltd. are annexed as <u>Annexure-‘C’</u> and <u>Annexure-‘D’</u> respectively. As per the terms of the Observation Letters, BSE and NSE has given its 'no adverse observation', so as to enable the company to file the Scheme with the Hon'ble NCLT. The Petitioner Company further states that there is</p>
<p>7(E)</p>	<p><i>It is further observed that the Petitioner Company is a listed company therefore, petitioner company may be directed to place on record the prior notice issued to NSE, BSE and SEBI and obtain NOC from NSE, BSE. Commodity Exchange and SEBI. Therefore, public interest may be protected in this matter.</i></p>	<p>As per the terms of the Observation Letters, BSE and NSE has given its 'no adverse observation', so as to enable the company to file the Scheme with the Hon'ble NCLT. The Petitioner Company further states that there is</p>

		no requirement to serve a prior notice to Commodities Exchange since the Petitioner Company is not listed on the Commodities Exchange.
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8. The Regional Director (Western Region), Ministry of Corporate Affairs, Mumbai, has filed a Supplementary report dated October 22nd, 2024 subsequent to receiving the report of the Registrar of Companies dated 16.10.2024 *inter alia* making the following observations which are produced hereunder to which the Petitioner has filed its responses by way of an Affidavit in rejoinder dated November 6, 2024.

Para No	Observations of the report of the Regional Director dated October 22, 2024	Response / Undertaking / Submission of the Petitioner Company
2 (i)	<i>Further that the Regional Director, western region, Ministry of Corporate Affairs, Mumbai had filed report dated 15.10.2024 in the aforesaid matter and subsequently Directorate received Registrar of Companies Report dated 16.10.2024 and after going</i>	In so far as the observation made in Paragraph 2 (i) of the said Report, the Petitioner Company states that the observation is merely factual in nature.

	<p><i>through the same thoroughly following observations were observed: -</i></p> <p><i>i. The Petitioner Company falls within the jurisdiction of ROC Mumbai, it is submitted that “One Complaint received against the company vide SRN I00033217 and said complaint is closed. “Further the Petitioner has filed financial statements up to 31.03.2023.</i></p>	
2 (ii)	<p><i>ii. Further the ROC Mumbai in its report dated 16.10.2024 has stated that, No Inquiry, Inspection Investigation, Prosecutions, Technical Scrutiny and Complaints under Companies Act,</i></p>	<p>In so far as the observation made in Paragraph 2 (ii) of the said Report, the Petitioner Company states that the observation raised is merely factual in nature.</p>

	<p><i>2013 are pending against the Petitioner Company.</i></p>	
2(iii)	<p><i>iii. Interest of the Creditors and minor shareholders/ stakeholder should be protected.</i></p>	<p>In so far as the observation made in Paragraph 2(iii) of the said Report, the Petitioner Company undertakes to protect the interest of Creditors and minor shareholders/ stakeholders. The Petitioner Company further submits that as per Scrutinizer's Report dated 7th June, 2024 on Postal Ballot process conducted through remote e-voting the special resolution for capital reduction of 14,51,702 equity shares of Rs.10/- each of the Company held by Keynote Trust was passed by the shareholders of the company. Copy of the Scrutinizer's report is annexed as Annexure I to the Company</p>

		Petition. Further rights of minor shareholders /stakeholders are not affected.
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9. The observations made by the Regional Director on behalf of the Central Government have been explained by the Petitioner Company in Para 7 and 8 above. Further heard, Rutuja Bankar, Authorised Representative of the Regional Director, MCA (WR) Mumbai, who is present at the time of final hearing.
10. Considering the entire facts and circumstances of the case and report filed by Regional Director, rejoinder affidavit filed by the Petitioner Company in response to Regional Director's observations and on perusal of the documents produced on record, the Company Petition is allowed.
11. The Petitioner Company undertakes to file the certified copy of the order and form of minutes duly certified by the Designated Registrar of this Tribunal with the Registrar of Companies within 30 days from the date of receipt of the certified Order from the Registry of this Tribunal.
12. The Petitioner Company to publish the notices about registration of order and minutes by the concerned Registrar of Companies, Mumbai, Maharashtra in two newspapers namely "Business Standard" in English language and translation thereof in "Navshakti" in Marathi language both having circulation in the State of Maharashtra within 30 days of registration of the Order.
- 13. The Petitioner Company shall ensure that notice of the registration of the order and minutes is sent to the**

jurisdictional Assessing Officer and the Nodal Officer, Principal Chief Commissioner of Income Tax (PCC of IT), Mumbai.

14. All concerned regulatory authorities to act on production of certified copy of this order duly signed by Designated Registrar of this Tribunal.
15. The minutes set forth hereto be and is hereby approved.

Form of Minutes

“The subscribed and paid-up equity share capital of the Company from Rs. 7,01,83,390/- (Rupees Seven Crore One Lakh Eighty-Three Thousand Three Hundred and Ninety Only) comprising of 70,18,339 (Seventy Lakh Eighteen Thousand Three Hundred and Thirty-Nine) of Rs. 10/- (Rupees Ten Only) each to Rs. 5,56,66,370/- (Rupees Five Crore Fifty-Six Lakh Sixty-Six Thousand Three Hundred and Seventy) comprising of 55,66,637 (Fifty-Five Lakh Sixty-Six Thousand Six Hundred and Thirty-Seven) of Rs. 10/- (Rupees Ten Only) each by cancelling and extinguishing 20.68 % of the total subscribed and paid-up equity share capital of the Company comprising of 14,51,702 subscribed and fully paid-up equity shares of Rs. 10/- (Indian Rupees Ten Only) each (the “Identified Shares”) held by Keynote Trust (the “Identified Shareholders”) without any payment of consideration by the Company.”

16. Ordered Accordingly.

Sd/-

Madhu Sinha
Member (Technical)

Sd/-

Reeta Kohli
Member (Judicial)