

CISTRO TELELINK LIMITED

CIN No: L19201MP1992PLC006925

206, Airen Heights, AB Road, Indore 452010, Madhya Pradesh

Tel No.:0731-2555022; Fax No.:0731-2555722

Email ID-cistrotelelink@gmail.com

Website: www.cistrotelelink.com

Annexure - B

To,

The Shareholders of Cistro Telelink Limited.

Subject: Disclosure on Reply to Observation Letter Regarding the In-principal approval on Scheme of Reduction of Share Capital Between Cistro Telelink Limited and its Shareholders.

Reference: In-principal Approval Letter No. DCS/AMAL/TL/R37/3433/2024-25 dated 9th December, 2024 as received from BSE Limited.

Dear Sir/Madam,

In furtherance, to the special resolution passed by the members of Cistro Telelink Limited ("**Company**") for the reduction of 2,05,37,200 Equity Shares of INR1/- each from the existing INR5,13,43,000/- (comprising 5,13,43,000 Equity Shares of INR1/- each) to INR3,08,05,800/- (comprising 3,08,05,800 Equity Shares of INR1/- each) of the Company against an accumulated loss of INR2,05,37,200/- without any payment of consideration by the Company to its Shareholders under section 66 of Companies Act, 2013, at its 32nd Annual General Meeting held on 25th July, 2024, we would like to inform you that:

1. The Company had filed an application with the BSE Limited ("**BSE**" or "**stock exchange**") for in-principal approval of scheme of reduction of share capital of Cistro Telelink Limited ("**Company**") and its shareholders, on 08th July, 2024 and subsequently re-submitted on 31st July, 2024, 30th August, 2024 and on 18th September 2024 in response to queries raised by stock exchange on 12th July, 2024, 28th August, 2024 and 17th September, 2024, respectively, having case no. 205817;
2. The Company is pleased to inform you that it has received in-principal approval from the BSE on the Scheme of Reduction of Share Capital vide letter dated 9th December, 2024, with observations for disseminating the replies as disclosure to the Company's shareholders.

In response to the observation raised by the stock exchange in its in-principal approval, please find below the Company's reply:

Observation no. a - "The Company shall disclose all details of ongoing adjudication & recovery proceedings, prosecution initiated, and all other enforcement action taken,

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if any, against the Company, its promoters and directors, before Hon'ble NCLT and shareholders, while seeking approval of the scheme."

Reply to Observation no. a -

The below are the details of ongoing, closed adjudication and recovery proceedings, prosecution initiated, and all other enforcement action taken against the Applicant Company, its promoters and directors by the Government / Regulatory body / Agency, during the previous 8 (Eight) financial years

I. Show cause notice dated 11th September, 2019 from Registrar of Companies, Madhya Pradesh:

- (i) The Company had received show cause notice from the Registrar of Companies, Madhya Pradesh under Section 206(4) of the Companies Act, 2013, with regards to discrepancies in the Applicant Company's financial statements and non-appointment of Company Secretary.
- (ii) A suitable reply was submitted by the Applicant Company with regards to said show cause notice and the said case is not pending with the Registrar of Companies, Madhya Pradesh.

II. Order against the Company and its Directors for violation of Section 203(1) of the Companies Act, 2013:

- (i) The Registrar of Companies, Gwalior had passed order vide order dated 6th February, 2024 against the Applicant Company and its Directors for violation of Section 203(1) of the Companies Act, 2013 with regards to non-appointment of Company Secretary for the period between 2nd November, 2018 and 20th November, 2018 and are liable to penalties under Section 203(5) of the Companies Act, 2013. The details of the penalties imposed are as under:

Name of the person	First Default (in INR)	Default continuous (in INR)	Total Penalty imposed (in INR)
On Company	5,00,000	18,000	5,18,000
On Whole Time Director	50,000	18,000	68,000

- (ii) The Company and the Directors, jointly filed an appeal under Section 454(5) of the Companies Act, 2013 with the Regional Director, North-Western Region, Ministry of Corporate Affairs, Ahmedabad against the above-

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mentioned order on 2nd April, 2024, for adjudication of the penalties levied on the Company and its Directors.

(iii) The Regional Director, North-Western Region, Ministry of Corporate Affairs, Ahmedabad, vide its order dated 30th July, 2024, dismissed the Company's and its Directors' appeal and directed the Company and its Directors to make the payment of penalties as mentioned in point 1 above within 90 days from the date of the Regional Director's order.

(iv) The Company and its Directors paid the said penalties on 10th August, 2024.

III. Prosecution case by SEBI against Ms. Renu Singh, erstwhile Independent Non-Executive Director of the Applicant Company:

(i) In respect of Ms. Renu Singh, erstwhile Independent Non-Executive Director of the Applicant Company, a prosecution case i.e. SEBI Special Case No. 43/2015- SEBI vs. Optimates Textiles Industries Ltd ("OTPL") & 11 others was filed before the SEBI Special Court for the non-payment of AO penalty wherein Ms. Renu Singh is one of the Accused in the capacity of being an Independent Non-Executive Director of OTPL.

(ii) We hereby submit that (a) Ms. Renu Singh was appointed as a Women Independent Non-Executive Director in the Applicant Company; (b) the said Scheme is in interest of the shareholders and creditors of the Applicant Company; and (c) there is no impact of the said case on the Scheme. Additionally, there is no relation between the Applicant Company and OTPL, and there is no impact of the said case on the financial position of the Applicant Company. However, Ms. Renu Singh, has resigned from the position of Women Independent Non-Executive Director of the Applicant Company w.e.f. close of business hours on 3rd December, 2024.

IV. Notice from The Registrar of Companies, Gwalior, asking for compounding of offence committed u/s 134 of the Companies Act, 2013 for the FY 2017-18:

(i) The Registrar of Companies, Gwalior had issued inquiry notice dated 26th December, 2024 to the Applicant Company and its Directors for violation of Section 134(3)(f) of the Companies Act, 2013 for not providing the comments and explanation on the adverse remark in secretarial audit report for the FY 2017-18 regarding that the investment made by the Applicant Company in the FY 2017-18 which exceeded the requisite limit of the Applicant Company's paid up share capital and general reserves as per the Applicant Company's master data on MCA Portal.

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- (ii) Further, the Registrar of Companies, Gwalior in the said notice have instructed the Applicant Company and its Directors to approach the compounding authority for mitigating the said violation by filing the compounding application u/s 441/621A of the Companies Act, 2013/1956.
- (iii) The Company and the Directors, jointly have filed application u/s 441/621A of the Companies Act, 2013/1956 with the Ministry of Corporate Affairs / Regional Director for compounding of the above-mentioned violation. The final order from Ministry of Corporate Affairs / Regional Director is awaited.

The Company will disclose all the necessary details of ongoing adjudication, recovery proceedings, prosecution, and any other enforcement actions taken, against the Company, its promoters, and directors, before the Hon'ble NCLT, in compliance with the regulations.

Observation no. b - "Company is advised that the information pertaining to all the unlisted companies involved, if any, in the scheme shall be included in the format specified for abridged prospectus as provided in Part E of the schedule VI of the ICDR Regulations 2018, in the explanatory statement or notice or proposal accompanying resolution to be passed, which is sent to the shareholders for seeking approval."

Reply to Observation no. b -

As the in-principal approval pertains to scheme of capital reduction of equity shares and not fast track issue of shares, the information the information pertaining to all the unlisted companies involved in explanatory statement is not applicable in this case.

Observation no. c - "Company is advised that the details of the proposed scheme under consideration as provided by the Company to Stock Exchanges shall be prominently disclosed to the notice sent to the shareholders."

Reply to Observation no. c -

For the details of the proposed scheme under consideration, please refer the final scheme of reduction of share capital of the Company which is enclosed to this letter as Annexure A and is available for inspection of shareholders at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

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Observation no. d - "The Company is advised to disclose the following as a part of explanatory statement or notice or proposal accompanying resolution to be passed to be forwarded by the company to the shareholders while seeking approval u/s 230 to 232 of the Companies Act 2013, to enable them to make an informed decision in the matter:

- Details of assets, liabilities, net worth and revenue of the Company, pre and post scheme.
- Impact of the scheme on the revenue generating capacity of the Company
- Need and rationale of the scheme, impact of the scheme on the shareholders and cost benefit analysis of the scheme.

Reply to Observation no. d -

ASSETS AND LIABILITIES:

There will be no change in the assets and liabilities of the Company, except up to the extent that (a) the paid-up share capital of the Company shall reduce from INR 5,13,43,000/- to INR 3,08,05,800/- and carry forward losses shall reduce from INR 2,16,27,182/- to INR 10,89,982/-.

NET WORTH (PRE AND POST):

Sr. No.	Particulars	Pre-reduction	Post-reduction
1.	Paid-up share capital	5,13,43,000	3,08,05,800
2.	Reserves and Surplus	(2,16,27,182)	(10,89,982)
3.	NET WORTH (1+2)	2,97,15,818	2,97,15,818

IMPACT ON REVENUE GENERATION:

There will be no impact on revenue generation capacity of the Company of the scheme of capital reduction of the Company.

NEED AND RATIONALE OF THE SCHEME, IMPACT OF THE SCHEME ON THE SHAREHOLDERS AND COST BENEFIT ANALYSIS OF THE SCHEME:

Need for Reduction of the Share Capital of the Company:

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The Scheme of Reduction of Share Capital is presented with a view to achieve restructuring of the Company which would result in the Company's financial position to be more accurate considering the future business operations of the Company.

Rationale of the Scheme:

- (a) The Company was incorporated with the main object clause to carry on the business of production and publications of software, distribution of cable network and related activities. The Company underwent a challenging period during the Covid-19 period and the business of the Company was impacted and therefore the Company was not able to do business from last several years.
- (b) Due to above, the Company has incurred losses in past and the current year thereby not reflecting the true potential of the Company. The net carried forward losses as on 31st March, 2024 is INR 216.27 Lakhs. Hence, the management is in the view that the effect of past losses should be mitigated, thereby actual potential of the company can be reflected. Hence, Management has decided to reduce the share capital of the company up to the maximum possible extent.
- (c) The Company is looking out for funding in near future for re-structure the Company's business. With the aim of attracting Investors in the Company to meet its business objective it is decided and approved to clean up the Company's balance sheet by adjusting the Company's carried forward losses by reducing 40% of the equity share capital of the Company.

Impact of the Scheme on the Shareholders:

- (a) Since the reduction of capital shall be on proportionate basis, there shall not be any change in percentage of shareholding of any of the shareholder of the Company.
- (b) The proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as whole.

Cost benefit analysis of the Scheme:

The proposed Scheme:

- (a) Removes INR 2,05,37,200/- of losses, significantly improving the balance sheet;
- (b) Improves financial ratios and positions the Company for potential growth;
- (c) Enhances EPS and market value of shares, benefiting shareholders;
- (d) Comes at a minimal cost, with no cash outflow to shareholders;
- (e) Aligns with regulatory compliance and enhances stakeholder confidence.

Therefore, the Scheme is financially and strategically beneficial for the Company's long-term sustainability and the cost shall not impact on the financials of the Company and its shareholders value.

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Observation no. e - "No changes to the draft scheme except those mandated by the Regulators/ authorities/ tribunals shall be made without specific written consent of SEBI."

Reply to Observation no. e -

The Company has not made any changes to the draft scheme, except by those suggested by BSE Limited and shall not make any changes without obtaining specific written consent from SEBI. The revised Scheme of reduction in share capital of the Company is enclosed as Annexure A and is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

Observation no. f - "Company is advised to comply with all applicable provisions of the Companies Act, 2013, rules and regulations issued thereunder including obtaining the consent from the creditors for the proposed scheme."

Reply to Observation no. f -

The Company has complied with all the applicable provisions of the Companies Act, 2013, and other rules and regulations, including obtaining the necessary consent from the creditors for the proposed scheme. The copy of consent received from the creditors of the Company is enclosed as Annexure B and is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

Additional information to be disseminated, pertaining to the Scheme of reduction in share capital of the Company, as mentioned in email dated December 9, 2024 of BSE Limited's, are as follows:

Observation no. 1 - In the cases of capital reduction/ reorganization of capital of the Company, reasons along with relevant provisions of Companies Act, 2013 or applicable laws for proposed utilization of reserves viz. Capital Reserve, Capital Redemption Reserve, Securities premium, as a free reserve, certified by CA.:

Reply to Observation no. 1 - The details as required under Section 66 of the Companies Act, 2013 read with rules made thereunder with regards to reason for proposed utilization of reserves (i.e., accumulated losses), duly certified by M/s B Chordia & Co., Chartered Accountant, is enclosed as Annexure C and is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

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Observation no. 2 - In the cases of capital reduction/ reorganization of capital of the Company, Built up for reserves viz. Capital Reserve, Capital Redemption Reserve, Securities premium, certified by CA.:

Reply to Observation no. 2 - The details as required under Section 66 of the Companies Act, 2013 read with rules made thereunder with regards to built-up for reserves / losses, duly certified by M/s B Chordia & Co., Chartered Accountant, is enclosed as Annexure C and is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

Observation no. 3 - In the cases of capital reduction/ reorganization of capital of the Company, Nature of reserves viz. Capital Reserve, Capital Redemption Reserve, whether they are notional and/or unrealized, certified by CA:

Reply to Observation no. 3 - The details as required under Section 66 of the Companies Act, 2013 read with rules made thereunder with regards to nature of reserves utilized, duly certified by M/s B Chordia & Co., Chartered Accountant, is enclosed as Annexure C and is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

Observation no. 4 - In the cases of capital reduction/ reorganization of capital of the Company, the built up of the accumulated losses over the years, certified by CA:

Reply to Observation no. 4 - The details as required under Section 66 of the Companies Act, 2013 read with rules made thereunder with regards to built-up of accumulated losses over the years, duly certified by M/s B Chordia & Co., Chartered Accountant, is enclosed as Annexure C and is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

Observation no. 5 - Relevant sections of Companies Act, 2013 and applicable Indian Accounting Standards and Accounting treatment, certified by CA:

Reply to Observation no. 5 - The details as required under Section 66 of the Companies Act, 2013 read with rules made thereunder with regards to applicable Indian Accounting Standards and Accounting treatment, duly certified by M/s B Chordia & Co., Chartered Accountant, is enclosed as Annexure D and is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

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Observation no. 6 - Any action taken/pending by Govt./Regulatory body/Agency against all the entities involved in the scheme for the period of recent 8 years:

Reply to Observation no. 6 - For reply to this, please refer to the Reply to Observation no. a) above.

Observation no. 7 - How the scheme will be beneficial to public shareholders of the Listed entity and details of change in value of public shareholders pre and post scheme of arrangement:

Reply to Observation no. 7 - The proposed Scheme -

- (a) Removes INR 2,05,37,200/- of losses, significantly improving the balance sheet;
- (b) Improves financial ratios and positions the Company for potential growth;
- (c) Enhances EPS and market value of shares, benefiting shareholders;
- (d) Comes at a minimal cost, with no cash outflow to shareholders;
- (e) Aligns with regulatory compliance and enhances stakeholder confidence;
- (f) Therefore, the Scheme is financially and strategically beneficial for the public shareholders.

Since the reduction of capital shall be on proportionate basis, there shall not be any change in percentage shareholding of any of the shareholder of the Company.

The proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as whole.

Observation no. 8 - Confirmation that the scheme is in compliance with the applicable securities laws:

Reply to Observation no. 8 - The Company do hereby confirm that the Scheme of reduction in share capital of the Company is in compliance with the applicable securities laws.

Observation no. 9 - Confirmation that the arrangement proposed in the scheme is yet to be executed.

Reply to Observation no. 9 - Please note that, the Petition for Admission of the Scheme of Reduction of share capital of the Company is filed with the National Company Law Tribunal ("NCLT"), Indore Bench. The Company is waiting for the admission of the said petition by the NCLT.

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We respectfully submit that we will remain compliant with all provisions of law and are ready to provide any further clarifications/replies that may be required by the Stock Exchange for the continued processing of the Scheme.

The copy of this reply is available for shareholders inspection at the registered office of the Company between 9:00 am and 5:00 pm on working days of the Company. Also, available on the Company's website www.cistrotelelink.com.

Thanking you in advance.

For Cistro Telelink Limited

Sd/-

Arun Sharma

Director

DIN: 00369461

Date: 31st January, 2025

Place: Indore