

Date: May 16, 2017

Action taken by the Company on Graded Surveillance Measure (GSM)

Dear Shareholders,

In continuation with the Managing Director's communication with the shareholders dated May 8, 2017 in regards to the classification of the Company into the GSM list, the Company had made a representation to the Exchange on May 4, 2017. The Company has been receiving concerns from various investors regarding their investments in the Company. The Company has been regularly following up with the Exchange and making representations to them.

We would like all our shareholders to know that the Company has received a reply from the Exchange on May 10, 2017 in the above matter.

Excerpt from the letter is as below :-

"...The GSM framework works in addition to various other pre-emptive surveillance measure implemented by the Exchange from time to time and as decided by SEBI and Stock Exchanges.

Further, it may be noted that for shortlisting of the companies for GSM. Exchange has relied upon the latest financials submitted by the company in terms of SEBI (LODR) Regulations, 2015 which are also available on Exchange website for public information and other criteria as indicated in the Exchange notice no. 20170223-44 dated February 23, 2017. As mentioned in the said notice, list of companies for GSM shall be periodically reviewed twice a year in a coordinated manner and next such periodic review shall be carried out in June 2017..."

To the above letter our Company has given a detailed reply to the Exchange on May 16, 2017.

Extract from the reply given to the Exchange is as under:

*"... As mentioned in your letter, GSM has been introduced as a surveillance measure with a view to ensure **"market safety and safeguard interest of investors"**. While we appreciate the concern of the Exchange in general, we would like to share our views on GSM and its staging process (our company is in GSM Stage 2) that is impacting our company and our shareholders very badly. It is heading towards complete erosion of investment made by large number of investors (large and small investors) due to GSM Staging process that has restricted 'free tradability' in our shares by introducing Additional Surveillance Deposit (ASD). We are sharing some data herein after for your quick reference.*

We believe that ASD does not improve 'safety' or 'de-risk' the risk factors rather it 'restricts' FREE tradability of shares. We have really failed to understand as how the investment in our company is considered as 'risky' and 'unsafe'? Where have we misguided our Investors? Are there any concerns in this regard expressed by any shareholder/investor? We request you to make us understand as to how the security of our company has been classified in the group of 'risky' & 'unsafe'.



In last two years, the company has issued 22 Press Releases (PR) and 6 Investor Presentations in order to keep our investors and shareholders updated on every aspect of our business and its progress. All the PR and Investor Presentation activities describe the nature of our business and the risk associated with the same. There is not a single query from the investors or the shareholders that has remained un-answered so far. And still, investment in our company has been classified as 'risky' and 'unsafe'!

In response to your above referred letter, we submit here below our point of view:

1. As per your findings, investment in our Company is RISKY and UNSAFE and thus, our Company has been classified into GSM Stage 2 list. As per your letter, grading of security is based on certain 'pre-defined objective criteria'. However, these criteria have not been communicated, either to us or to the investors.
2. "Investment Risk" is an individual's perception. Moreover the perception is built based on the information available and understood by the investor. Decision about risk and de-risk has to be taken by the investors based on information and knowledge. Educating investors is the key to understanding any risk, which we have been doing on continuous basis (please see the above paragraphs about PR and Investor Presentations). By putting restriction on trading in any manner does not bring down or eliminate risk or does not create any safety net.
3. By classifying the Company into GSM Stage 2, wherein the buyer has to pay ASD, buying has been made **conditional**. How does it protect the investors from the risk? The system of GSM does not in any way give extra information to potential and the existing investors about how and why the investments made in our Company are UNSAFE or RISKY. Thus, it is difficult to understand that how ASD shall help the Exchange in making the investment SAFE and at the same time safeguard the interest of the investors.
4. In a way it is implied that small investors who have no willingness to pay ASD or who face difficulty to arrange for extra funds shall be deprived from investing – a huge discrimination between the small and large investors.
5. The scrip of our Company which is now in GSM stage 2 list faces restricted trading. Now due to additional ASD condition imposed by the exchange, the trading in our shares has dropped substantially and investors are finding it extremely difficult to sell off their investment. Small investors do not have an opportunity to exit since there are no buyers.

Let us now examine the impact of classifying the Company into GSM Stage 2.

Date on which the Company was put into GSM Stage 2 list – April 25, 2017:

Particulars	6 months (Oct – March 17)	Pre GSM Stage 2 (1/4/17 – 24/4/17)	Post GSM Stage 2 (25/4/17 – 11/5/17)
No. of trading sessions	125	14	12
No. of trades	14,911	621	231
Average No. of trades per day	119	44	19
Weighted Average Price (WAP)	17.75	16.87	15.15



From the above data it is evident that:

- i. The number of trades have drastically dropped since the time the Company has been put into the Stage 2 of GSM list
- ii. Average number of trades per day post GSM classification into stage 2 as compared to prior 6 months period is **down 84%** – gone down from 119 to 19
- iii. Number of trades per day is **down 50%** as compared to the period prior to classification of the Company into Grade 2 – down from 44 to 19

Just a word of caution and concern, with continuity of GSM, the stock of our company will slip into **illiquid state** and that is further dangerous. This would, happen due to restrictions put by your good selves on the free tradability of our scrip.

We request you to educate the investors but not to restrict the FREE TRADING...”

“...Sir, investor education is the key in order to make investor understand what is ‘risky and unsafe’ and not the trading restriction. GSM and its staging process is proving to be **counterproductive in our case** and may not achieve the objective as stated in your letter.

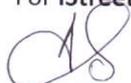
We therefore request you to remove our Company from GSM as soon as possible as a special case without waiting for June 2017 review as it is highly detrimental to the interest of our 10,000 plus shareholders. June review may be too late!...”

We shall keep you all informed the progress in the matter. However, in case you have any queries or need any clarification in this matter, please write to me at dipankar@istreetnetwork.com. We will be happy to help you.

We will also continue to keep you informed through regular disclosure at the BSE and our website www.istreetnetwork.com

Thanking you,

Yours faithfully,
For iStreet Network Limited



Dipankar Basu
Company Secretary

