

iStreet Network Limited

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Business Operations in FY 17-18

iStreet Network Ltd. (BSE: ISTRNETWK) is India's 1st Internet Retail Store Company. At its Board meeting held on 29th May 2018 it has approved the audited financial results for quarter and financial year ended 31st March 2018. Our Investors and stakeholder can review full audited financial results on the website of our company www.istreetnetwork.com

At the beginning of the year, the company informed that it had suspended its operations as it was unable to raise fresh capital/funds due to **Graded Surveillance Mechanism** which restricted the FREE tradability of the shares of the company at BSE. The operations of the company remained SUSPENDED during FY2017-18. And the company cut its operational cost drastically. There was no spending in marketing, expanding and adding new Retailers, new technology development, acquiring the new customers etc. during FY2017-18. More details about the company are provided hereinafter.

Our Business – Asset Light Business – Internet Retail:

The company is an Internet & Retail Catalogue company and sells products and services through its Internet Retail Stores known as 'iStreet Bazaar'. iStreet Bazaar – the Internet Retail Store is a physical store in a neighborhood area which runs on virtual / digital inventory. Common people who have constraints in buying products online, can do so at these stores. These stores provide good product price and huge assortments. The network of Internet Retail Stores is one of the major assets for the company to run its business. These network retailers give eCommerce shopping experience to customers based on trust and relationship. This model is unique and innovative.

The company has invested huge resources and money (several crores of rupees) to build its business. The present accounting standards does not recognize such spending as 'value of intangibles assets' like network of retailers, technology, last mile delivery infrastructure, supply chain, branding etc. However, these intangible has huge value to the company on 'business continuity' basis. The value declines sharply in any event of discontinuity and hence, such business requires continuous investments till it reaches to a threshold level. Initially, several years, these businesses shall continue to incur losses and do not build any tangible asset.

In the new age of technology, there are few examples of businesses across the world which 'asset light' business and operate by managing 3rd party assets like - the world's largest taxi firm, owns no cars, the world's largest accommodation provider, owns no property. In the new age of businesses, companies that control the interface between the consumer and the provider of the goods or services are in an incredibly valuable position.

Past Performance – Track Record - Delivered more than what was promised -

The project iStreet Bazaar was launched by the company in January, 2014. All these years, it delivered more than promised results since its launch of the project except in FY2017-18.



Particulars	2014-15	2015-16	2016-17	2017-18
No. of Stores	1,506	5,756	13,242	13,242
No. of transactions (In lacs)	0.38	18.72	28.52	0.01
Gross Merchandize Value (Rs. In lacs)	70.59	1837.95	3487.26	0.08

The company had outperformed every time then what it had promised to its investors and stakeholders. In F.Y 2014-15 the company had promised to open 1,100 store and it opened 1,506. Similarly, in F.Y2015-16, it opened 5,756 stores as against promised to open 2,800. The company was growing well, step by step, till FY2016-17. Till March, 2017, the company added over 13,000 retailers as part of their network and crossed over 28 lacs transactions. The project of the company has received several recognition during all these years.

During these years, the company made huge investments in building technology, retail network, supply chain, customers etc. and raised fresh capital thru issue of new equity capital on Preferential basis.

Graded Surveillance Mechanism (GSM) and it's impact:

Suddenly, in February, 2017, the company was placed under GSM and the Bombay Stock Exchange (BSE) started putting several restrictions in FREE tradability of the shares of the company. Consequently, GSM had led to trade restrictions and a complete roadblock in terms of raising additional capital from new investors. The new fund raising has become an extremely challenging and daunting task for our company due to which the company had to suspend its business operation since April 2017. GSM has devastated the company and its business.

We have been making continuous representation to the BSE that our Company (iStreet Network Limited) should not be included in the GSM list due to the nature of its business and sector in which it operates.

GSM has different staging process. Let's examine the impact of GSM Staging in our case:

GSM stage	No of shares traded	No. of Trades	Delivery %
Stage 1 – Two months – No ASD 08/01/18- 05/03/18	4,51,873	533	100
Stage 2 – Three months – 100% ASD (06/03/18- 01/06/18)	23,058	48	100

It can be observed from the above that GSM Staging and ASD is impacting the tradability of shares as the number of shares traded have gone down by 95% (from 4,51,873 to 23,058) and number of trades have also gone down by 91% (from 533 to 48) while comparing Stage 1 and Stage 2 trades.



Overall GSM Impact:

It can also be observed from the following table as how the tradability has been impacted due to GSM and worked counterproductively for our shareholders/investors:

Year (April-March)	Volume (No.)	High price	Low price	Delivery %	*Market cap (in cr.)
2015-16 (Pre GSM)	62,83,753	44.95	12.65	79%	35.44
2016-17 (Pre GSM)	171,74,821	29.60	13.00	78%	30.75
2017-18 (Post GSM)	12,53,969	19.68	2.93	100%	10.80

*Market cap is calculated as on 31st March of every year

In the above table it can be observed that post GSM and restricted tradability, the volume of the shares traded gone down by 93% (from 171 lacs in FY 2016-17 to 12 lacs in FY 2017-18).

We have been receiving a large number of concerns from our Investors and Shareholders about the business and its growth plans, tradability of shares etc. We have complied and attached a list of Frequently Asked Questions (FAQs) which would help our shareholders/investors for better understanding of GSM and its impact on the company and the company's business.

The company continues to follow up with BSE and represents its case to get out of GSM classification. In the meanwhile the company has also modified its business model in order to focus on 'profitability' rather than 'scale' and running its few pilots to test the market. The company also intends to add Banking, Financial Services and Insurance (BFSI) also as part of its activities shortly.

For iStreet Network Limited


Surabhi Pal
 Company Secretary



About iStreet Network Limited

iStreet Network Limited is based in Mumbai and is listed on the Bombay Stock Exchange. Its mission is to simplify and deliver eCommerce to the last mile. It operates in the 'Internet & Catalogue Retail' segment and has successfully incubated its Internet Retail Store project through its network of 'iStreet Bazaar'.

For more information log onto www.istreetnetwork.com & www.istreetbazaar.com

Safe harbor statement

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, the progress and results of research and development, potential project characteristics, project potential and target dates for project related issues are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. The company assumes no obligation to update forward-looking statements to reflect actual results changed assumptions or other factors.

iStreet Network Ltd.

Frequently Asked Questions (FAQs) by our Stakeholders:

For the understanding of our shareholders, we are compiling here below FAQs:

1. What is the 'Investment Guidance' note on the company's website?

The investment Guidance on the website is a guidance given to our investors to understand our approach and direction of the business and risk associated there with. There are several risks associated with the investments in the companies driven by 'innovation'. Investing money in a company is purely the investors' decision as - how they perceive the risk and safety, how they value tangible and intangible, how they understand value of innovation etc. We thought it appropriate to put this section on our website for the benefit of our existing and new investors. We expect our investors to ensure that investing in the company is consistent with their investment philosophy, risk taking capabilities and their view on long term v/s short term investments etc.

2. What is Graded Surveillance Measures (GSM)?

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have introduced Graded Surveillance Measures (GSM) wherein certain identified securities shall be subjected to enhanced monitoring and surveillance actions. The main objective of these measures is to:

- alert and advice investors to be extra cautious while dealing in these securities and;
- advice market participants to carry out necessary due diligence while dealing in these securities.

3. How a company is classified in GSM?

The GSM is a system designed by SEBI to keep a check on shares which see an abnormal price rise not commensurate with the financial health or fundamentals. SEBI's intention is to identify and protect investors from dealing in such shares at an early stage. Such shares are monitored for sudden changes in earnings, book value, fixed assets, net worth, and price to earnings multiples, among other factors. Once a company is identified, it goes in to one of the six stages of the GSM, attracting the corresponding surveillance action.

4. What are the different stages of GSM?

Stage	Surveillance Actions
I	Transfer to trade for trade with price band of 5% or lower as applicable
II	Trade for trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer
III	Trading permitted once a week trading and ASD 100% of trade value to be deposited by the buyers (Every Monday)
IV	Trading permitted once a week trading with ASD 200% of trade value to be deposited by the buyers (Every Monday)
V	Trading permitted once a month trading with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)
VI	Trading permitted once a month with no upward movement in price of the security with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)



5. Why iStreet Network Ltd. is classified in GSM? And at what Stage it is?

BSE in consultation with SEBI classifies the company in the GSM stage without any information sought from the company. The criteria for classifying the company into GSM criteria is not very clear to us. At present the company is placed into GSM stage 2. However it has been clarified by BSE and SEBI that classifying a company in GSM does not show any negative assessment about the company in any manner. It's is like a routine classification of scripts by any Exchange.

6. What is the impact of GSM on the company's shares?

Let's examine the impact of GSM Staging in our case:

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Overall Comparative Data:

It can also be observed from the following table as how the tradability has been impacted due to GSM and worked counterproductively for our shareholders:

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7. What is the response from BSE on GSM? When the company's shares will be out of GSM and freely tradable?

We have been representing to BSE for removing our company from the GSM List. The BSE and SEBI seem that they don't entertain the company for the GSM query. However investors can also write directly to BSE and SEBI for the same.

We can't say on when the company shall be out of GSM and its shares will be freely tradable as there is no response from BSE on this. More on such policy, you can visit BSE website.



8. What is the company's business?

Our business is to 'simplify eCommerce' for common people of India. The company is an internet & retail catalogue company and sells products and services through its internet retail store known as iStreet Bazaar- the internet retail store is a physical store in a neighbourhood area which runs on virtual inventory.

9. Why there are no assets in the company?

It is not true that company doesn't have any assets. The company had made huge investments in past in creating technologies, network of retailers, customers, supply chain, store brand etc. The assets created by the company are intangible in nature.

An intangible asset is an asset that is not physical in nature and don't have the obvious physical value, they can prove valuable for a company as they drive the company's business.

10. Why so much of losses in the company?

The company has invested huge resources to build its business like Retail Network, Supply Chain, Technology, Fulfilment facility, Customer acquisition, Branding, Training etc. The present accounting standards do not recognise such spending as 'value of intangible assets' and hence charged to Profit & Loss account, resulting in huge losses in books.

11. How the company shall be able to recover these losses?

The business of the company is a new concept of Internet driven business where local retailer's power is leveraged. We empower these local retailers popularly known as Mom & Pop stores, making them ready for the next big change in retail, the Internet Retail. It is a process of re-engineering Retail in India. As we expand our retail network with the world class technology and processes during first few years, faster we reach to profitability. Hence, the company needs to expand its activities continuously and reach to a threshold level. Once it crosses the threshold level, it shall be able to recover its losses quickly.

12. What are the new changes in its business model, the company is bringing in?

The company is working on different models of business driven thru Internet + Retail. The possible segments are retail aggregation, assisted online buying, change in products, adding services like Banking and Financial Services and Insurance (BFSI) etc. The company has also reduced its operating expenses in order to minimize the losses of the company during this period and has been able to do it successfully. For update, we request you to keep visiting our website www.istreetnetwork.com

13. What are the future plans?

The company is in the process of re-instating and reviving its business operation in its new avatar. You can find all the information on the website of the company www.istreetnetwork.com from time to time.

