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और विनिमय बोर्ड  
Securities and Exchange  
Board of India

SEBI/HO/CFD/DIL2/OW/P/2022/50747/1  
October 06, 2022

**DAM Capital Advisors Limited**

One BKC, Tower C, 15th Floor, Unit No. 1511,  
Bandra Kurla Complex, Bandra (East)  
Mumbai 400 051  
Maharashtra, India

**Kind Attention: Mr. Sachin Chandiwala/Mr. Akshay Bhandari/ Mr. Chandresh Sharma**

Dear Sir,

**Sub: Proposed IPO of Kaynes Technology India Limited (the Company / Issuer)**

With reference to the draft offer document in respect of captioned issue, clarifications sought by SEBI and the replies submitted therein, it is stated that on scrutiny of the same, deficiencies / instances of non-compliance of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as SEBI (ICDR) Regulations, 2018) and instructions have been observed which are required to be rectified/complied with by you before filing the offer document with the Stock Exchange and / or ROC. Observations on the captioned issue and other conditions to be complied with are indicated in Annexure 'I' and 'II'. It may be noted that the deficiencies / requirement of additional disclosures listed in the Annexure are merely illustrative and not exhaustive. It is your responsibility to ensure full and true disclosure.

1. As Book Running Lead Manager (LM), you shall ensure that all changes are effected based on the observations / conditions contained in the Annexure before you file the offer document with the stock Exchange / ROC. A letter confirming these changes and explaining, in seriatim, the manner in which each observation / condition has been dealt with along with your comments should be submitted to us before you file the final offer document with ROC / Stock Exchange. **NO FURTHER CHANGES SHOULD BE EFFECTED WITHOUT SPECIFIC WRITTEN CONSENT OF SEBI.**
2. It is to be distinctly understood that submission of offer document to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made or for the correctness of the statements made or opinions expressed in the offer document. The LMs have certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI regulations for disclosures and investor protection in force for the time being. The LMs are advised to ensure the same with respect to SEBI (ICDR)

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.  
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : [www.sebi.gov.in](http://www.sebi.gov.in)

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.  
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3. Regulations, 2018. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.
4. It should also be clearly understood that while the Issuer Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the LMs are expected to exercise Due Diligence to ensure that the Company discharges its responsibility adequately in this behalf and towards this purpose, the LMs have furnished to SEBI a Due Diligence Certificate dated September 28, 2021, in accordance with SEBI (Merchant Bankers) Regulations, 1992.
5. The filing of offer document does not, however, absolve the company from any liabilities under Section 34 of the Companies Act, 2013 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up, at any point of time, with the LMs any irregularities or lapses in offer document.
6. Any publicity materials / advertisements should not contain matters extraneous to the information contained in the draft offer document. Attention is specifically drawn to the provisions of Section 36 of the Companies Act, 2013.
7. The LMs are advised to ensure that a detailed calculation of filing fees in relation to the captioned issue in terms of regulation 25(1) and Schedule III of the SEBI (ICDR) Regulations, 2018 is submitted to SEBI within seven days of filing the Prospectus with ROC / within seven days of filing the Letter of Offer with the stock exchange, as the case may be, along with details of filing fees paid till date.

If filing fees paid by you is less than the actual fees required to be paid, the LMs are advised to ensure and confirm compliance with the provisions of Schedule III of the said Regulations in regard to payment of the balance fees to SEBI. If filing fees paid by you are more than the actual fees required to be paid, you are advised to inform SEBI about the amount to be refunded, along with detailed calculation of amount refundable and name of the person in whose favor, the cheque may be issued by SEBI.

8. The proposed issue can open for subscription within a period of 12 months from the date of issuance of this observation letter.

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Annexure I

**OBSERVATIONS**

1. Please refer to our letter/email dated May 09, 2022, and your letter/email dated May 17, 2022, and all other correspondences exchanged. LM is advised to ensure compliance with the same.
2. Draft offer document and the offer document, shall not contain any information where no responsibility is taken by the BRLMs or the Issuer Company/ Expert. The Issuer Company / BRLMs shall ensure that the "Industry Overview" section represents a fair and true view of the comparable industry scenario and the same is neither exaggerated nor any underlying assumptions have been omitted for investors to make an informed decision.
3. Sequencing of the chapters in the offer document shall be strictly in terms of the Schedule VI of SEBI (ICDR) Regulations, 2018.
4. The industry report disclaimers (if any) shall be removed from all places of the offer document.
5. LM is advised to include the industry report in the list of material documents for inspection and also provide a link in the offer document for online access of industry report.
6. LM shall ensure to disclose the price at which specified securities were acquired in the last 3 years, by each of the promoters, promoter group, selling shareholders, shareholders entitled with right to nominate directors or any other rights. The following details may be disclosed for such transactions in tabular format – name of acquirer, date of acquisition, number of shares acquired and acquisition price per share.
7. LM is advised to disclose the Outstanding Litigations information in the Summary of the Offer Document section of UDRHP/RHP as per the below format.
8. Risk Factors – Every Risk Factor shall be provided with a cross-reference to the detailed description of the facts/reasons in the DRHP, wherever applicable.
9. LM shall ensure that the main/sub – headings in the DRHP shall not have any abbreviations. The Main/sub-headings shall be in fully expanded form with its abbreviations in brackets

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Name of Entity	Criminal Proceeding	Tax Proceeding	Statutory or Regulatory Proceeding	Disciplinary actions by the SEBI or Stock Exchanges against our Promoters	Material Civil Litigation	Aggregate amount involved (Rs in million)
<b>Company</b>						
By the Company						
Against the Company						
<b>Directors</b>						
By our Directors						
Against the Directors						
<b>Promoters</b>						
By Promoters						
Against Promoters						
<b>Subsidiaries</b>						
By subsidiaries						
Against Subsidiaries						

\*For further details of the outstanding litigation proceedings, see "Outstanding Litigation and Material Developments"

10. The table of pending litigations should be arranged giving priority to those litigations having material impact on the financials. Also include the details of whether provisioning has been done by the company for the probable liabilities, if any arising out of outstanding litigations and also the quantum of the same, where quantifiable. Mention the amount reflected as Contingent Liabilities with respect to the outstanding litigations, if any. Also, disclose contingent liabilities as a percentage of net worth.
11. LM shall confirm whether there has been a change in auditor(s) before completion of the appointed term (in any of the past five fiscal years), and the reasons thereof.
12. The risk factors, to the extent possible, should disclose the specific as well as financial/economic impact on the company rather than being generic.
13. Where Risk Factors portray possible occurrences of certain events or situations, such Risk Factors should also indicate whether such events or situations have actually taken

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place in the past. If not, it should be clearly mentioned that no such events had happened in the past.

14. LM is advised to add a Risk Factor relating to Related Party Transactions (RPTs), Provide below mentioned details: -
- Confirm whether all RPTs are done on arm's length basis.
  - Confirm whether RPTs taken together for last three fiscal year is more than 10% (for all 3 FYs) of the total transactions of similar nature.
  - If any loan/advances given by issuer/subsidiaries to related parties and guarantees given/securities provided to related parties, mention Risk Factor on recoverability and its effect on the financials of the issuer/subsidiaries.
15. When disclosing the status of government approvals in the Risk Factors, LM is advised to include a cross reference with specific page numbers to other sections where the disclosures are made. If approval has a validity, the same shall be mentioned. Consequences of withdrawal of licenses/approval shall be provided.
16. Mention a separate Risk Factor, if any rent, interest, royalty or such other amount payable/paid by the issuer company/subsidiaries to Promoter/Promoter Group/Directors or amount payable under any material agreement, if any, etc. in last three FY and stub period.
17. In Risk Factor relating to existing financing arrangements, confirm whether the company has violated any of the restrictive covenants/events of default or undergone rescheduling for repayment of loans in the past three fiscal years with respect to the debt financing that the company has availed.
18. LM is advised to confirm whether any instance of promoter's personal guarantees and/or company guarantees have been invoked in the past 3 fiscal years and/or loan defaults.
19. Provide details and specific disclosures with respect to the adverse remarks/ qualifications/ matter of emphasis/ statements by the Statutory Auditor in reports to financial statements, in the Risk Factor. Further, provide the current status of such adverse remarks/ qualifications/ matter of emphasis/ statements by the Statutory Auditor.
20. With respect to acquisitions/slump sale/business transfer agreement made by/entered into by the issuer company//subsidiaries, mention whether an independent valuation report was obtained for the same. If so, the same may be disclosed and included as a

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- material document for inspection. If not, a Risk factor to this effect may be stated along with the fact whether the consideration paid is higher than the valuation obtained, if so, reason thereof. If such transaction happened with related party, same may be stated so. Also, provide details of unsuccessful instances of strategic investment, if any, in past 3 years and effect of the same on profit shall be disclosed.
21. Incorporate an undertaking that the net proceeds from the issue if utilized for repayment of Borrowings / Loans are not being indirectly routed to promoters, promoter group, group companies, and associates.
  22. LM is advised to make consistent usage of the term BRLM; and also include quantitative/financial information in tabular form, wherever possible.
  23. LM is advised to ensure that no discrepancies be present in the quantitative data provided in the DRHP/RHP/UDRHP/LM's reply and other key documents.
  24. LM is advised to ensure all quantitative information be provided in tabular form and free from discrepancies/errors in all sections for the ease of reading. LM may provide with certainty all the relevant information sought by SEBI till the issue of this observation letter, in the offer document/UDRHP/RHP.
  25. LM is advised to provide an organizational structure including subsidiaries (brief business operations of the issuer and the subsidiaries), compliment with business contribution and distribution of each of the associated entity as per organizational structure. This should be added on the Ist page of the mentioned sections: Summary of the Offer Document, Summary of Financial Information, Our Business.
  26. LM is advised to take an undertaking from the issuer Company that in case majority of proceeds (including GCP/) is used for capital expenditure then the lock-in will be extended to 3 years & 1 year on the remaining and give copy of the undertaking to monitoring agency. Increased lock-in period in the depository system to be monitored by monitoring agency.
  27. LM is advised to maintain uniformity w.r.t. names of the facilities, verticals of the facilities, products manufactured by them in the offer document.
  28. LM is advised to provide organizational structure along with details of Subsidiary and facilities under company/subsidiary in the "Our Business" section.
  29. LM is advised to provide a simple and concise summary about the business of the company and nature of products in the first page of "Our Business section".

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LM is advised to refrain from replicating the same information from the industry report sponsored by the company in the "Our Business" section to avoid duplication.

30. LM is advised to mention the operational KPIs for the past 3 years in the relevant section.

31. LM is advised to substantiate the phrase "we have three decades of experience" wherever mentioned in the DRHP in the context of company's date of incorporation (March 28, 2008) else the same is advised to be removed. LM is advised to refer page 152 and mention the date of incorporation.

32. LM is advised to include the table titled as: "Information pertaining to our proposed manufacturing facilities" given on page 174 in the "Objects of the Offer" section and remove discrepancies with respect to verticals mentioned in the objects section.

33. LM is advised to refer page 185, make corrections and confirm that the information is free from discrepancies.

34. **RISK FACTORS :**

- i. **Risk Factor 1:** LM is advised to include the names of countries where the Issuer Company has major customers in the risk factor. LM is advised to modify the title of the Risk Factor which may include that there have been consistent fall in % Revenue contribution by Top 1, Top 5 & Top 10 customers in each preceding 3 years and consistent fall in new customers in each preceding 3 years.
- ii. **Risk Factor 2:** LM is advised to disclose the average agreement period. LM is further advice to disclose cancellations took place in last three years and the impact on revenue of the same.
- iii. **Risk Factor 4:** LM is advised to modify the title of the risk factor pertaining to very low contribution in Revenue from Operations collectively by XX no. of its subsidiaries. LM is advised to mention revenue contribution of all subsidiaries even if they contribute Nil in the Revenue Contribution table. LM is further advised to include operational cost of each of the subsidiaries in this risk factor. LM is further advised to explain how the manufacturing of products such as SMT & PCB is linked with the prime products of Company namely OEM, ODM, IoT etc.
- iv. **Risk Factor 5:** LM is advised to modify the title of the risk factor as ... *the installed capacities at the manufacturing facilities were not fully utilized in Fiscal 2019, 2020 & 2021*. LM is further advised to disclose reasons for proposing new plants when existing plants are not being used to its full capacity. LM is advised to



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disclose the capacity utilization in the risk factor. LM is advised to provide the same disclosure in "Objects of Offer" section.

- v. Risk Factor 6: LM is advised to move this risk factor in the range of top 20-25 risk factors.
- vi. Risk Factor 8: LM is advised to disclose if there is dependency on a particular country with respect to imports of raw material.
- vii. Risk Factor 11: LM is advised to disclose the source of funds & respective amount for meeting working capital requirements. LM is further advised to include inventory details for the past 3 years and explain the reasons for increase in inventory.
- viii. Risk Factor 12: LM is advised to include reference pertaining to low & decreasing profit margin of the issuer company in past 3 years.
- ix. Risk Factor 18: LM is advised to disclose trade receivables as a % of revenue & information pertaining to bad debts written off in last 3 years.
- x. Risk Factor 19: LM is advised to reframe the title with respect to high inventory units, high inventory –storage & other costs & low inventory turnover ratio.
- xi. Risk Factor 21: LM is advised to move this risk factor in top 10 risk factors and may mention that subsidiaries are under- performing. LM may include details pertaining to Revenue from each of the acquisition, borrowings & PAT in tabular form.
- xii. Risk Factor 22: LM is advised to move this risk factor in top 10 risk factors and may mention the reasons for experiencing negative cash flows.
- xiii. Risk Factor 24: LM is advised to move this risk factor in top 10 risk factors and may include the amount spent in writing off the inventory as a percentage of PAT in the table and details of inventory damage in the risk factor.
- xiv. Risk Factor 25 & 26: LM is advised to combine the risk factors & further advised to reframe the title of risk including reference to high attrition rate of employees, increase in employee benefit expenses and may mention information pertaining to matter pending with RD in violation of Sec 63 of Companies Act 2013. LM is advised to move this under top 15 risk factors.
- xv. Risk Factor 39: LM is advised to move this risk factor in top 20 risk factors.





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- xvi. Risk Factor 41: LM is advised to redraft and provide more information with respect to the reasons & impact on the company and /or its financials may move it to top 20 risk factors
- xvii. Risk Factor 46: LM is advised to justify the rationale in the risk factor under a sub-head for undertaking Rs.1493 million towards funding capital expenditure of KEMPL when capital expenditure by other subsidiaries & the issuer company combined is in the range of Rs.98 million to Rs.393.07 million in past 3 years. LM is advised to provide the rationale in the section: Objects of the Offer too. LM should also highlight the fact that the company has not yet entered into any definitive agreements with any of the vendors.
- xviii. Risk Factor 46: LM is advised to provide KEMPL's revenue & profit share in total revenue and PAT of the issuer company. LM is further advised to mention existing capacity utilization by the subsidiary, if any plant operated by KEMPL.

**35. ADDITIONAL RISK FACTORS:**

- i. LM is advised to move the additional risk factor pertaining to *Debt along with their ageing in last 3 FYs* in top 20 risk factors. LM may further provide information with respect to Category: *others* given in the table provided.
- ii. LM is advised to consider adding a Risk Factor with respect to low profit margin of the company and Revenue contribution from 3 subsidiaries is only 6% which may be included under top 5 risk factors category. LM is advised to substantiate the risk factor with table representing profit margin figures of the company & peers in past 3 years & stub period. Also, another tabular representation may be made w.r.t. profit margin of company and its subsidiaries in past 3 years & stub period.
- iii. LM is advised to include an additional risk factor in top 20 risk factors pertaining to complaints against the company, (if any) from various stakeholders of the company and may include litigations against the promoters and outstanding regulatory proceedings with suitable cross-referencing.
- iv. LM may include a risk factor pertaining to increase in cost of material consumed/cost drivers of the company/subsidiaries and operational risks to subsidiaries.
- v. LM is advised to include a risk factor stating that :
- a. The present offer details of OFS and Fresh Issue.



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- b. The company is offering OFS \_\_'X'\_\_ times of Fresh issue along with selling shareholders' details in tabular form such as Pre-issue holding, Acquisition cost, Present offer for sale.
- c. And that the company is only going to receive funds from fresh issue to be deployed in stated objectives. LM may keep this risk factor in top 10 risk factors category.
- vi. LM is advised to include a risk factor pertaining to compounding application filed with RoC accompanying with latest information on the matter.
- vii. LM is advised to provide an explanation regarding the material subsidiary companies for reporting low/Nil profits after tax for the past 3 years. LM may provide a risk factor pertaining to same with heading: Low/Nil Profit after tax from subsidiaries (supporting data in Tabular form) in top 20 risk factors.
- viii. LM is advised to include a risk factor pertaining to high inventory.

**36. OFFER DOCUMENT SUMMARY & OBJECTS OF THE OFFER:**

- a) LM is advised to provide a rationale for setting up an additional facility through a newly formed subsidiary: KEMPL in Karnataka in Rs.1493 million from Net proceeds. It is observed that the new facility is proposed to produce similar products like SMT. The SMT products are already being manufactured at the company's existing 2 facilities in Karnataka & for the expansion of which the company is simultaneously proposing to deploy around Rs. 989.30 million from net proceeds. LM is advised to provide clarity on this observation and include this in the relevant risk factor and above-mentioned sections.
- b) LM is advised to include & highlight a sub-heading: **Approval status for proposed objects of the offer** & include the approval status of all the objects, entities whose approval is required to be obtained tabular form. LM may confirm with respect to object no. 3 that all material approvals in relation to business operations, products, labor & commercial approvals, etc. have been obtained and if not obtained , required disclosures to be made in the Risk factor section and objects section.
- c) The LM should include past 3 years Capital expenditure incurred by/on Company & subsidiaries. And provide rationale for proposing an amount higher than collective capital expenditure incurred by the Company and its subsidiaries in past years.

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- d) LM is advised to disclose an illustrative list of all KPIs that are relevant for investors along-with a clear definition of the same for measuring issuer's effective utilization of issue proceeds towards meeting the objective.
- e) LM is advised to provide a table with details such as Company: Total loans availed by the company, Total loans outstanding, total loan proposed to be repaid from Net proceeds, percentage of loan proposed to be repaid from Net proceeds. Similar table be provided for subsidiary, if loan repayment object of the issue is applicable on them.
- f) LM is advised to ensure that consent from lenders is obtained in loan repayment and/ or prepayment & status is mentioned in the updated document before filing the UDRHP.
- g) LM is advised to update the sections: OBJECTS OF THE OFFER & THE OFFER with additional information as sought time to time including information present in its reply dated May 17, 2022 pertaining to all objects of the offer.

**37. OBJECTS OF THE OFFER:**

- a. LM is advised to refer page 111 & remove the term "without limitation" in the GCP.
- b. LM is advised to refer page 96 and provide the distribution of selected borrowings including nature of borrowing and date of borrowing which are proposed to be repaid/ pre-paid from the Net proceeds of the IPO amongst all borrowings.
- c. For Object 2: LM is advised to explain in brief the tabular data provided on page 99 and include the names of facilities selected for proposed expansion.
- d. For Object 3: LM is advised to mention details such as operations and nature of products, facility's capacity & expected production quantity of each of the products.
- e. Object 3: LM is advised to mention details with respect to expected cost escalation for new manufacturing facility and proposed means through which the financial gap would be funded.
- f. Provide Proposed Pre-IPO amount in the section.

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- g. LM is advised to include a risk pertaining to the net proceeds have not been appraised by any bank or financial institution which may lead to revision of funding requirements & planned expenditure renewal of licenses , discretion of the management for deploying of funds.
- h. Page 96: LM is advised to remove the term “vehicle loans” if it is not the objects of the issues.
- i. LM is advised to include the expected pre-payments charges, if applicable in the Object 1.
- j. Page 98: LM is advised to provide reasons for borrowings taken from Saraswat Cooperative Bank Limited for taking over of WC Limits with Kotak Mahindra Bank.
- k. Object 2: LM is advised to mention the details of customers as mentioned in para 1 and delete the term “large customers”.
- l. Object 2: LM is advised to mention the year-wise proposed deployment of funds in manufacturing facility at Mysore & Manesar.
- m. Page 104: LM is advised to include a risk factor pertaining to any deviation from “Schedule of implementation” which may lead to time and cost escalation.
- n. Object 3: LM is advised to mention date of DPR/Project Report & its validity.
- o. Page 108: LM is advised to redraft the paragraph for “deployments of equipment” in clear terms.
- p. Page 110: LM is advised to remove the estimated table (table 2).
- q. Page 114: LM is advised to redraft the paragraph for “exit opportunity to the shareholders who do not agree to such proposals to vary the objects” in clear terms.

**38. CAPITAL STRUCTURE:**

- I. Details for transaction occurred on April 04, 2016, Rights issue including ratio & no. of shareholders who were offered the rights issue by the company.



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- II. Page 81: Elaborate on Terms of allotment of Bonus issue in the ratio of CCPS held on December 20, 2021.
- III. Page 88 & page 92 (para 12): LM is advised to redraft information mentioned in para 3 of 2(c).
- IV. Page 89: LM is advised to confirm if any warrants were issued & provide break up of 641,490 (no. of shares underlying outstanding convertible securities including warrants)

**39. OFFER DOCUMENT SUMMARY:**

- a) LM is advised to remove the term "leading" and other similar terms from the offer document as they are solely based on industry report sponsored by the company. LM is advised to refrain using such adjectives deriving from a self-sponsored report.
- b) LM is advised to refer page 21 and may provide the Key Performance Indicators (KPIs) in the "Summary of Offer Document" section.
- c) LM is advised remove the sentence "We are a leading..." from page 21. LM is advised to disclose the Revenue, Total Borrowings and PAT/Loss figures for all the subsidiaries.
- d) LM is advised to provide the organizational chart in this section and the pie-chart for sources of revenue contribution.

**40. OUR SUBSIDIARY:** LM is advised to refer page 213 and ensure that tabular comparison of subsidiaries be present in terms of key financial parameters including operation cost and revenue from operations. LM should also provide the organizational chart including all subsidiaries, on the 1<sup>st</sup> page of this section.

**41. OUR PROMOTER AND PROMOTER GROUP:** LM is advised to mention details including dates of Appointment/Change/Cessation of CEOs/ CFOs and other Key managerial Personnel of the Company. LM may refer page 232 and may provide the details of the CEO resigned from the company along with reasons. LM is advised to provide details for attrition rate of KMPs & other employees of past 3 years and reasons thereof for changes in KMPs position in the offer document and may include an additional risk factor if attrition rate is high.

**42.** LM is advised to refer page 193 of DRHP and include the comparison with mentioned competitors using key financial parameters and KPIs. LM may further state the





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comparison from international peers in the manner stated above. It is advised that the company also faces competition from international companies, and if LM is not able to justify the same, then LM must remove it from the offer documents and state the reasons in offer documents.

**43. LEGAL AND OTHER INFORMATION :**

- i. LM is advised to identify and include risk factor for material litigation which may adversely affect the company.
- ii. LM shall update the details of the status of litigation with the latest/ updated position of litigations against promoter/ promoter group entities/ company and the companies promoted by the issuer.
- iii. LM is advised to confirm that the existing litigations are not so major that the issuer's survival is dependent on the outcome of the pending litigation.
- iv. LM is advised to ensure the disclosures of all actions taken by the statutory and regulatory authority

**44. GOVERNMENT AND OTHER APPROVALS:** LM is advised to disclose any material approval/ license which is going to expire in near future and will require renewal.

45. LM is advised to update peer comparison details in the offer documents including both quantitative and qualitative comparison of listed peers.

46. LM is advised to ensure that post-listing, considering the business model of the Company, the issuer should disclose relevant metrics indicating its performance against the objects for which funds have been raised, on a quarterly basis along-with the financial results. The above disclosures may be made at least till the proceeds of the objects have been fully utilized.

47. LM is advised to include the following disclosures under section "Monitoring of Utilization of funds"

- a. The proceeds of the issue shall be monitored by the Audit Committee till utilization of the proceeds.
- b. Audit Committee of the Parent Company to certify the utilization of proceeds by subsidiaries towards organic/inorganic growth initiatives.
- c. Investment in foreign subsidiaries towards repayment of loan, organic/inorganic growth initiatives to be in compliance with FEMA guidelines and other applicable laws.



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48. LM to disclose all the complaints received, under material documents available for inspection along with the replies provided.
49. With respect to all the complaints received by LM/Company and complaints forwarded by SEBI, LM is advised to ensure that there is adequate redressal of the complaint and relevant disclosures, if required, are made in the Red Hearing Prospectus and other Offer related material along with the disclosures of the Financial Impact of the same, if any. Further, LM is advised to incorporate a prominent Risk Factor, if required, for such complaints received.
50. LM is advised to update the RHP in respect to all pending litigations including for any legal notices where the Company is in receipt of such notices post filing of DRHP.
51. LM is advised to mention the complaints received on the DRHP in the updated offer documents in risk factor section.
52. LM is advised to ensure that the details of all the criminal matters initiated against the company, group companies, directors, subsidiaries which are at FIR stage and no/some cognizance has been taken by court is incorporated in the RHP along with appropriate risk factors in this regard.
53. LM is advised that it is categorically disclosed in the DRHP under section "History and Certain Corporate Matters" of the offer document that none of the special rights available to the Promoters / Shareholders (except for nominee/nomination rights and information rights) would survive post listing of the Equity Shares of the Company and same shall cease to exist or shall expire / waived off immediately before or on the date shares are allotted to public shareholders in IPO, without requiring any further action.
54. LM is advised to make disclosures if special rights for nominee/nomination rights and information rights are available to certain Promoters / Shareholders that would continue post listing and if yes, then details of the same may be clearly disclosed under section "History and Certain Corporate Matters".
55. Further, LM shall specifically disclose that special rights, post listing shall be subject to approval of the Shareholders by way of a special resolution, in the first general meeting of the Company held post listing of the Equity Shares.
56. LM is advised to ensure that special rights which will continue post listing are not prejudicial or adverse to the interest of the minority / public shareholders.
57. LM is advised that inter-se agreements/ arrangements between the shareholders are disclosed under section "History and Certain Corporate Matters".



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58. LM is advised to ensure that the pre –placement offer may not breach the ICDR guidelines and is advised to adhere to ICDR Regulations pertaining to pre-placement amount.
59. LM is advised that a categorical statement from the Issuer Company/ Promoters / Shareholders, may be provided that there are no other inter-se agreements/ arrangements and clauses / covenants which are material and which needs to be disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the minority / public shareholders. Also that there are no other agreements, deed of assignments, acquisition agreements, SHA, inter-se agreements, agreements of like nature other than disclosed in the DRHP.
60. Further, the LMs shall also confirm to SEBI that they have gone through the inter-se agreements/ arrangements, if any, as disclosed in the DRHP and they also do not see any clauses / covenants which are material and need to be disclosed, which have not been disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the minority / public shareholders.
61. Please disclose the details of all profit sharing arrangements involving the Issuer, promoters, promoter group, directors and shareholders, if any.
62. Ensure that details of the Directors in the section titled “Management” clearly depicts if any director is a nominee. If so, please also disclose the details who have nominated them. Similarly, such details to be disclosed for the KMPs as well. Please also confirm that apart from that disclosed in the offer document, there are no other nominee directors, KMPs or other persons etc. appointed on behalf any of the shareholders or any other person.
63. Please check and disclose if the name of the directors, promoter and promoter group persons is appearing in the list of directors of struck-off companies by ROC/ MCA. Please also check and disclose if the name of the promoter group companies and group companies is appearing in the list of struck-off companies by ROC/ MCA.
64. If adjectives such as “largest”, “leader”, “strong”, “differentiated” are used, the same should be explained and substantiated. If not substantiated, these terms should not be used.



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65. The top 7 risks identified post rearrangement may be included in the summary of the offer document.
66. In case of Issuer's consolidated financials contains significant contribution (10% and more) from its subsidiaries, disclose whether the balance sheets of the subsidiary is audited by peer reviewed auditor. In such cases, LM shall also disclose whether the corporate governance norms are being followed by the subsidiaries of the Issuer.
67. Detail of any individual and corporate guarantees provided by the promoters and directors in relation to loans availed by the Issuer.
68. With regard to the "Fees payable to the other advisors to the Offer", LM is advised to disclose the services offered by such advisors and consequent responsibilities, if any.
69. LM is advised to ensure that the processing fees for applications made by Retail Individual Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI Circular No: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021 read with SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021."
70. LM is advised to ensure that the following paragraph (including content of similar nature) from any/all section(s) of DRHP is removed.
- "None among our company, the selling shareholders or any member of the Syndicate shall be liable for any failure in (i) uploading the bids due to faults in any software/hardware system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism."*
71. LM is advised to include a reference to the circulars CFD/DIL2/CIR/P/2018/22 dated Feb 15, 2018 and CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 at all applicable sections in DRHP.
72. LM is advised to adhere to the following conditions:
- a) UDRHP is filed with SEBI not less than seven working days prior to submission of the draft advertisement for announcement of price band advertisement.
- b) UDRHP shall contain necessary updated disclosures justifying the offer price under Section – "Basis for offer price", "Risk Factors" etc., particularly



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emphasizing on appropriate Key Performance Indicators as applicable to the industry in which the issuer company operates in quantitative terms, (For illustration: P/E ratio, Market Cap / Total Revenue ratio, EV/EBITDA etc.), with corresponding suitable explanations so as to justify the offer price.

73. Price band advertisement:

- Price band Ad should contain risk factors related to business and financials.
- The portion pertaining to "Risks to Investors" shall constitute at least 33% of the price band advertisement space.
- Price band Ad may contain the top 5 risk factors under the Risks to Investors.
- The risks to investors shall include weighted average cost of acquisition of all shares transacted in last 3 years and 1 year, from the date of RHP, in the following format :

<i>Period</i>	<i>Weighted Average Cost of Acquisition (in Rs.)</i>	<i>Cap Price is X times the Weighted Average Cost of Acquisition</i>	<i>Range of acquisition price: Lowest Price - Highest Price (in Rs.)</i>
<i>Last 1 year</i>			
<i>Last 3 years</i>			

- The font size for price band and "Risk to investors" should be increased to match the font of BID/Offer Programme.
  - Matters related to ASBA and UPI may be brought subsequent to Price Band, Risks to Investors, Bid/ Offer Programme and other offer details, and can be of smaller font.
  - The portion pertaining to "BRLMs" shall not constitute more than 10% of the price band advertisement space.
  - Mention market Value at Issue Price to Total Turnover and P.E. Ratio at issue price.
74. Price band advertisement: The advertisement shall contain top 5 risk factors.

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75. LM is advised to ensure following disclosures in the Issue advertisement for announcement of Price Band and all further advertisements as a box item below the price band:

*"Risks to Investors:*

- i. *The [to be disclosed] Merchant Bankers associated with the issue have handled [to be disclosed] public issues in the past three years out of which [to be disclosed] issues closed below the issue price on listing date."*
- ii. *Any adverse data in the basis for issue price should be disclosed. For example:*
  - *"The Price/Earnings ratio based on diluted EPS for [latest full financial year] for the issuer at the upper end of the Price band is as high as [to be disclosed] as compared to the average industry peer group PE ratio of [to be disclosed]."*
  - [if average industry peer group PE ratio is not available, then P/E of Nifty Fifty may be disclosed]*
  - *"Average cost of acquisition of equity shares for the selling shareholders in IPO is [to be disclosed] and offer price at upper end of the price band is [to be disclosed]."*
  - *"Weighted Average Return on Net Worth for [last three full financial years] is [to be disclosed]%"*

The data on above disclosures shall be updated and disclosed prominently (in the same font size as the price band) in advertisements of Price Band and all further advertisements, website of the company and the stock exchange. Further, any adverse ratio / data in basis for issue price should be disclosed.

76. LM is advised that Market Value at Issue Price to Total Turnover and P.E. Ratio at issue price can be added in Price Advertisement. LM is also advised to disclose the total market valuation of the company considering the higher and lower price bands.

77. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments, if any.

78. LM is advised to ensure that in the Section: Summary of the Offer Document, simple conversational language is used and No abbreviations to be used.



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79. LM is advised to ensure that in the Section: "Definitions and Abbreviations" for Technical, Company / Industry related Terms or Abbreviations, along with the expanded form, suitable meaning / explanation is provided in simple language.

**Annexure II**

**General Observations**

1. LM is advised to ensure that prior to filing of RHP with Registrar of Companies, the Issuer Company has received crucial clearances / licenses / permissions / approvals from the required competent authority which are necessary for commencement of the activity for which the issue proceeds are proposed to be utilized.
2. LM is advised to ensure that the 'Observation Letter' issued by SEBI is included among the material contracts and documents for inspection.
3. LM is advised to ensure that prior to proceeding with the issue, "No Objection Certificates" are obtained from all the lenders with whom the company has entered into an agreement and the terms of such agreement require an approval to be taken.
4. LM is advised to ensure that adequate disclosures are made to disclose any material development which may have a material effect on the Issuer Company between the date of registering final prospectus or the red herring prospectus or the letter of offer, with the Registrar of Companies or designated stock exchange, as the case may be, and the date of allotment of specified securities, while ensuring compliance with Regulation 42 and Schedule IX of SEBI (ICDR) Regulations, 2018.
5. LM is advised to ensure that exact cross-referencing of page numbers is provided in the offer document instead of general cross-referencing.
6. In terms of SEBI Circulars No. SEBI/CIR/ISD/03/2011, No. SEBI/CIR/ISD/05/2011 and SEBI/CIR/ISD/01/2012 dated June 17, 2011, September 30, 2011 and March 30, 2012 respectively, LM is advised to ensure that 100% promoter holding is in demat form prior to listing.
7. LM is advised to ensure that SCORES authentication is taken by the issuer company prior to listing.



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8. In pursuance of Regulation 25 Sub-Regulation 9(a) of SEBI (ICDR) Regulations, 2018, LM is advised to certify while submitting the in-seriatim reply that all amendments, suggestions and observations advised by SEBI have been complied with and duly incorporated in the offer document, while also indicating the page number for the same.

9. ASBA:

i) LM is advised to ensure that sufficient number of Physical ASBA forms are printed and dispatched directly to all designated branches of SCSBs which are located in places of mandatory collection centers as specified in Schedule XII of SEBI (ICDR) Regulations, 2018, Syndicate Members and Registered Brokers of Stock Exchanges, the Registrars to an Issue and Share Transfer Agents (RTAs) and Depository Participants (DPs) registered with SEBI, at least two days before the opening of the issue. This shall be in addition to ASBA forms which shall be sent to controlling branch of SCSBs for sending to designated branches other than those located in mandatory collection center.

ii) LM is advised to ensure that the ASBA mode of payment is highlighted in bold in all the advertisement / communication informing about the issue. Further, LM is also advised to ensure that the following is suitably incorporated in all advertisements / communications regarding the issue issued by the issuer:

a. The following may appear just below the price information of the issue as shown below:

***"PRICE BAND: RS. xx TO RS. xx PER EQUITY SHARE OF FACE VALUE OF RS. xx EACH***

***THE FLOOR PRICE IS xx TIMES OF THE FACE VALUE AND THE CAP PRICE IS xx TIMES OF THE FACE VALUE***

***BID CAN BE MADE FOR A MINIMUM OF xx EQUITY SHARES AND IN MULTIPLES OF xx EQUITY SHARES THEREAFTER.***

**ASBA \***

(APPLICATION SUPPORTED BY BLOCKED AMOUNT)

Simple, Safe, Smart way of Application !!!



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Mandatory in public issue .No cheque will be accepted



*now available in ASBA for retail individual investors.*

*\*ASBA is a better way of applying to issues by simply blocking the fund in the bank account.*

*For further details check section on ASBA below."*

- b. The following paragraph on ASBA may be inserted in the advertisement/Communications:

*"ASBA has to be availed by all the investors except anchor investors. UPI may be availed by Retail Individual Investors.*

*For details on the ASBA and UPI process, please refer to the details given in ASBA form and abridged prospectus and also please refer to the section "Issue Procedure - Issue Procedure of ASBA Bidders" beginning on page xxx of the Red Herring Prospectus. The process is also available on the website of AIBI and Exchanges in the General Information Document."*

*ASBA bid-cum application forms can be downloaded from the websites of Bombay Stock Exchange and National Stock Exchange and can be obtained from the list of banks that is displayed on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in).\*\*List of banks supporting UPI is also available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in)\*\**

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