



सहायक महाप्रबंधक

Assistant General Manager

निर्गम एवं सूचीबद्धता प्रभाग-1 / RAC- Division of Issues and Listing-1

निगम वित्त विभाग / Corporation Finance Department

SEBI/CFD/RAC-DIL1/2024/23973

July 25, 2024

Holani Consultants Private Limited

401-405 & 416-418, 4th Floor,

Soni Paris Point, Jai Singh Highway,

Banipark, Jaipur - 302 016

Kind Attention: Mr. Ashok Holani, Director

महोदय / महोदया,

Dear Sir / Madam,

विषय / Sub: Proposed IPO of KRN Heat Exchanger and Refrigeration Limited

उपरोक्त से संबंधित प्रारूप प्रस्ताव दस्तावेज (ड्राफ्ट ऑफर डॉक्यूमेंट), भारतीय प्रतिभूति और विनिमय बोर्ड (सेबी) द्वारा मांगे गए स्पष्टीकरणों और उसके संबंध में दिए गए उत्तरों के संदर्भ में, यह सूचित किया जाता है कि इनकी जाँच करने पर यह पाया गया है कि इनमें कमियाँ हैं / भारतीय प्रतिभूति और विनिमय बोर्ड [पूँजी का निर्गमन (इश्यू) और प्रकटीकरण अपेक्षाएँ] विनियम, 2018 [सेबी (इश्यू ऑफ कैपिटल एंड डिस्क्लोज़र रिक्वायरमेंट्स) रेग्युलेशन्स, 2018] के प्रावधानों और दिए गए अनुदेशों का पालन नहीं किया गया है, और आपके लिए यह जरूरी है कि आप स्टॉक एक्सचेंज और / या कंपनी रजिस्ट्रार के पास प्रस्ताव दस्तावेज दाखिल करने से पहले उन कमियों को दूर करें और संबंधित प्रावधानों तथा दिए गए अनुदेशों का पालन करें। उपरोक्त के संबंध में की गई टिप्पणियों का और जिन शर्तों आदि का पालन किया जाना है, उनका जिक्र संलग्नक 'I' और संलग्नक 'II' में किया गया है। कृपया यह भी नोट करें कि संलग्नक में जो कमियाँ बताई गई हैं / कुछ और प्रकटीकरण (डिस्क्लोज़र) करने की बात कही गई है, यह सब आपको केवल उदाहरण के तौर पर ही बताया गया है। यह सुनिश्चित करने की जिम्मेदारी आपकी है कि सभी और सही प्रकटीकरण किए जाएं।

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 disclosures.

1. बुक रनिंग लीड मैनेजर होने के नाते, आप यह सुनिश्चित करेंगे कि स्टॉक एक्सचेंज / कंपनी रजिस्ट्रार के पास प्रस्ताव दस्तावेज दाखिल करने से पहले संलग्नक में दी हुई टिप्पणियों / शर्तों आदि के अनुसार प्रस्ताव दस्तावेज में बदलाव कर लिए जाएं। कंपनी रजिस्ट्रार / स्टॉक एक्सचेंज के पास अंतिम प्रस्ताव दस्तावेज दाखिल करने से पहले आपको हमें एक पत्र भेजकर इस बात की पुष्टि करनी होगी कि अपेक्षानुसार बदलाव कर लिए गए हैं और साथ ही यह भी बताना होगा कि प्रत्येक टिप्पणी / शर्त आदि के अनुसार बदलाव कैसे किए गए हैं। इसके अलावा और कोई भी बदलाव सेबी से लिखित सहमति लिए बिना नहीं किए जाएंगे।

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 filing the final offer document with ROC / Stock Exchange. **NO FURTHER CHANGES SHOULD BE EFFECTED WITHOUT SPECIFIC WRITTEN CONSENT OF SEBI.**

- यह स्पष्ट किया जाता है कि भारतीय प्रतिभूति और विनियम बोर्ड (सेबी) के पास प्रस्ताव दस्तावेज (ऑफर डॉक्यूमेंट) दाखिल करने का अर्थ किसी भी तरह से यह न लगाया जाए कि सेबी द्वारा इसे मंजूरी प्रदान कर दी गई है। सेबी न तो इस बात की कोई जिम्मेदारी लेता है कि जिस स्कीम या परियोजना (प्रोजेक्ट) के लिए निर्गम (इश्यू) लाए जाने का प्रस्ताव है उसकी वित्तीय स्थिति अच्छी है और न ही इस बात की जिम्मेदारी लेता है कि प्रस्ताव दस्तावेज में दी गई जानकारी या व्यक्त की गई राय सही है। अग्रणी प्रबंधकों (लीड मैनेजर्स) ने यह प्रमाणित किया है कि प्रस्ताव दस्तावेज में जो प्रकटीकरण (डिस्क्लोज़र) किए गए हैं वे मोटे तौर पर पर्याप्त हैं और जो प्रकटीकरणों (डिस्क्लोज़र) तथा निवेशक संरक्षण के संबंध में उस समय लागू सेबी के विनियमों के प्रावधानों के अनुसार किए गए हैं। अग्रणी प्रबंधक यह भी सुनिश्चित करेंगे कि ऐसा भारतीय प्रतिभूति और विनियम बोर्ड [पैजी का निर्गमन (इश्यू) और प्रकटीकरण अपेक्षाएँ] विनियम, 2018 [सेबी (इश्यू ऑफ कैपिटल एंड डिस्क्लोज़र रिक्वायरमेंट्स) रेग्यूलेशन्स, 2018] के अनुसार भी किया जाए। ऐसा करना इसलिए जरूरी है, ताकि निवेशक प्रस्तावित निर्गम (इश्यू) में निवेश करने के संबंध में सोच-समझकर निर्णय ले सकें।

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) Regulations, 2018. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

- यह भी पूरी तरह से स्पष्ट किया जाता है कि यद्यपि इस बात की जिम्मेदारी मुख्य रूप से निर्गमकर्ता (इश्यूअर) कंपनी की होती है कि प्रस्ताव दस्तावेज में समस्त जरूरी जानकारी प्रकट की जाए और जो सही और पर्याप्त हो, फिर भी अग्रणी प्रबंधकों (लीड मैनेजर्स) से अपेक्षित है कि वे यह सुनिश्चित करने के लिए पूरी तत्परता (ड्यू डिलिजेंस) बरतें कि कंपनी अपनी जिम्मेदारियाँ सही ढंग से निभाए, और इसी उद्देश्य से अग्रणी प्रबंधकों ने भारतीय प्रतिभूति और विनियम बोर्ड (इश्यू ऑफ कैपिटल एंड डिस्क्लोज़र रिक्वायरमेंट्स) रेग्यूलेशन्स, 2018 के अनुसार सेबी के पास पूरी तत्परता बरते जाने के संबंध में तारीख March 30, 2024 का प्रमाणपत्र (ड्यू डिलिजेंस सर्टिफिकेट) प्रस्तुत किया है।

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 March 30, 2024 in accordance with SEBI ICDR Regulations, 2018.

- हालाँकि, कंपनी प्रस्ताव दस्तावेज दाखिल कर देने से ही कंपनी अधिनियम, 2013 की धारा 34 के तहत दी गई किसी भी बाध्यता से मुक्त नहीं हो जाती या वह कानूनी प्रावधानों के अनुसार ली जाने वाली मंजूरी या ऐसी कोई अन्य मंजूरी लेने से मुक्त नहीं हो जाती, जो प्रस्तावित निर्गम के संबंध में लेनी जरूरी हो। हालाँकि, सेबी प्रस्ताव दस्तावेज में कोई अनियमितता या कमी पाए जाने पर कभी भी अग्रणी प्रबंधकों के खिलाफ कार्रवाई कर सकता है।

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.

- किसी भी प्रचार सामग्री या विज्ञापन में ऐसा कुछ भी उल्लेख नहीं किया जाएगा, जो प्रारूप प्रस्ताव दस्तावेज (ड्राफ्ट ऑफर डाक्यूमेंट) में दी गई जानकारी से भिन्न हो। इस संबंध में आपका ध्यान विशेष रूप से कंपनी अधिनियम, 2013 की धारा 36 के प्रावधानों की ओर आकर्षित किया जाता है।

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.**

- अग्रणी प्रबंधक यह सुनिश्चित करें कि भारतीय प्रतिभूति और विनियम बोर्ड [पूँजी का निर्गमन (इश्यू) और प्रकटीकरण अपेक्षाएँ] विनियम, 2018 के विनियम 25(1) और अनुसूची- III के अनुसार उपरोक्त निर्गम (इश्यू) के संबंध में फाइलिंग फीस की गणना किस प्रकार की गई है उसका एक विस्तृत विवरण, यथास्थिति, कंपनी रजिस्ट्रार के यहाँ प्रॉस्पेक्टस दाखिल किए जाने के सात दिनों के भीतर / स्टॉक एक्सचेंज के पास प्रस्ताव-पत्र (लेटर ऑफ ऑफर) दाखिल किए जाने के सात दिनों के भीतर, सेबी के पास प्रस्तुत कर दिया जाए और साथ ही अब तक अदा की गई फाइलिंग फीस का ब्यौरा भी दिया जाए।

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.

आपने जो फीस अदा की है, यदि वह वास्तव में अदा की जाने वाली फीस से कम हो, तो ऐसे में अग्रणी प्रबंधक यह सुनिश्चित करेंगे और इस बात की पुष्टि करेंगे कि सेबी को शेष फीस अदा किए जाने के संबंध में इन विनियमों की अनुसूची-III के प्रावधानों का पालन किया गया है।

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.

आपने जो फीस अदा की है, यदि वह वास्तव में अदा की जाने वाली फीस से अधिक हो, तो ऐसे में आप सेबी को सूचित करेंगे कि कितनी फीस लौटाई जानी है, साथ ही आप यह भी बताएंगे कि आपने लौटाई जाने वाली फीस की रकम की गणना कैसे की है और सेबी को किसके नाम पर चेक जारी करना होगा।



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 favour, the cheque may be issued by SEBI.

7. प्रस्तावित निर्गम (इश्यू) इस अभिमत पत्र के जारी होने की तारीख से 12 महीनों के भीतर पैसा लगाने (अभिदान करने / सब्सक्रिप्शन) के लिए खोला जा सकता है।

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

Place: Mumbai


Ashish Solankey

Annexure I

OBSERVATIONS

1. Please refer to our email dated April 18, 2024 and the response received from LM vide letter dated April 30, 2024 and all other correspondences exchanged. LM is advised to ensure compliance with the same.
2. While these observations are made referring to a specific chapter or point, the LM shall ensure to disclose the same across all pages / chapters where similar disclosure is made in the offer document.
3. The LM is advised to ensure that the language used in the offer document is lucid, usage of abbreviations is limited, abbreviations to be used in the para, if already quoted in the same page / heading. Any expressions, jargons or nomenclatures from other languages or not commonly used, are explained clearly at all relevant places.
4. LM is advised to incorporate all the certificates issued by the Chartered Accountants under the section "*Material Contracts and Documents for Inspection*".
5. LM is advised to submit whether there has been any instance of issuance of equity shares in the past by the issuer Company, the Group Companies or entities forming part of the Promoter Group to more than 49 investors in violation of:
 - 5.1. Section 67(3) of Companies Act, 1956; or
 - 5.2. Relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
 - 5.3. The SEBI Regulations; or
 - 5.4. The SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.
6. At "*Offer Document Summary*" disclose the following:
 - 6.1. LM to include a disclaimer that there is no certainty that listing may happen post pre-IPO placement.
 - 6.2. LM to give details of major products and revenues derived from them.
 - 6.3. LM to disclose the brief financial summary of the subsidiary in which the issue proceeds are proposed to be utilised *i.e. KRN HVAC Products Private Limited*.
 - 6.4. Details of the Heat Exchanger industry to be suitably disclosed.
 - 6.5. Disclose revenues derived from Condenser Coils and Evaporator Coils.

Additional Risk Factors

Add suitable Risk Factors under appropriate heading disclosing the risk involved, along with relevant data on the following points:

7. The revenue from operations have substantially increased from Rs. 7,582.42 lakh in FY 2020-21 to Rs. 15,611.46 lakh in FY 2021-22, resulting in growth of over 100% over the previous financial year. The revenues further increased to Rs. 24,748.08 lakh in FY 2022-23 resulting in growth of 58 % over the previous financial year. This rate of growth may not be achievable in the future. The Risk Factor to be included as No. 1.
8. The profit after tax has almost quadrupled from Rs. 246.56 lakh in FY 2020-21 to Rs. 1,059.04 lakh in FY 2021-22. The profit after tax further tripled to Rs. 3,231.35 lakh in FY 2022-23 over the previous financial year. At the same time, the PAT margin has doubled every year over the past 3 financial years, increasing from 3.25% in FY 2020-21 to 6.78% in FY 2021-22 and further to 13.06% in the FY 2022-23. This rate of growth may not be achievable in the future. The Risk Factor to be included as No. 2.
9. The issuer company was incorporated on August 25, 2017 and started operations from June, 2018. Hence the company has limited operating history.
10. Changes in the Government policies may have an impact on the import of raw materials from the countries mentioned in the offer document, along with the restrictions, if any.
11. Absence of long term contracts with the customers.
12. Competition from other players in the Industry.
13. Lack of contracts with suppliers, dependency and lack of quality supplies.
14. Product specific risk such as new technology which can take away the demand of the products offered by the issuer company.
15. Details of trade receivable from KRN Coils Private Limited, a promoter group company and the risk associated with it.
16. Different stages of project completion.
17. Revenue from Top 5 export jurisdictions.
18. Whether the statutory dues to the Government and provident fund and other dues have been made on timely basis for all eligible employees of the issuer company / its subsidiaries. LM shall disclose total PF being paid for number of employees and whether the same is paid as per statutory law/obligation. Such details and bifurcation shall be disclosed for various dues such as PF, ESIC, GST, TDS and any other statutory deduction shall be given in the document and whether the obligation have been duly discharged in terms of applicable laws.

19. Dependency on the performance of HVAC Industry.
20. There has been significant built-up of the inventory over the past 3 financial years leading to suboptimal utilization of resources.
21. Revenue distribution based on the end use industry.
22. Details of the properties which are leased from the Promoters or Promoter Group or any related entity and the conflict of interest involved in such transactions.
23. Emerging trends and challenges in Indian Heat Exchanger industry such as hybrid heat exchangers, better energy efficient models, smart heat exchangers, modular heat exchanger and usage of new alloys and composites materials.
24. Environmental impact of fouling on Heat Exchangers.
25. Dependency of revenue on the HVAC Industry.

Risk Factors

26. LM is advised to ensure that the Risk Factors provide adequate explanation of risk, are placed based on materiality and provide cross-reference to the exact page of the offer document, wherein further information has been disclosed.
27. LM is advised to review all Risk Factors and rephrase them in simple language. Disclosures should be crisp and directly specify the risks associated, along with supporting data. Delete general statements that do not specify any risks or add value to Risk Factors and for which cross references can be provided.
28. LM is advised to confirm that all past instances having material impact on the issuer company have been disclosed along with relevant data.
29. Risk Factor 2 - LM to split the Risk Factor in two parts. The issue of limited number of suppliers and not having long term contracts to be disclosed separately. Further, the raw materials sourced from Top 1, Top 5, Top 10 suppliers to be disclosed in a tabular format.
30. Risk Factor 3 - LM to disclose the country specific risks as the issuer is dependent on few countries for its raw material supplies. Disclose the materials imported from Top 5 jurisdictions.
31. Risk Factor 10 - LM to disclose the project feasibility report, including the site comparisons by the external agency involved.
32. Risk Factor 15 - LM to explain the same through specific example.

33. Risk Factor 18 - LM to disclose the details of submission made to RoC and possible actions, if any and its impact on the issuer company in this regards. LM to inform the RoC for these non-compliances. Such letter to be disclosed in the offer document.
34. Risk Factor 20 - LM to confirm and disclose the amount of claims and law suits as mentioned therein and its impact on the business of issuer company.
35. Risk Factor 21 - LM to give cross reference to the page where the details of the approvals are disclosed. Move the Risk Factor to Top 10.
36. Risk Factor 23 - Modify the heading of the Risk Factor to convey the risks faced by the issuer company.
37. Risk Factor 24 - LM to disclose data on the contract labour employed by the issuer company in past 3 financial years.
38. Risk Factor 27 - LM to disclose the status of application for conversion of the land use.
39. Risk Factor 29 - Type of subsidies / incentives offered by Gol / state governments. Which type of subsidy the issuer company is eligible as on date or planning to claim. Disclose material conditions to claim such subsidies.
40. Risk Factor 30 - Modify the heading of the Risk Factor to disclose that if the customers start making these products in-house, the sales of the issuer company may suffer.
41. Risk Factor 31 - LM to give cross reference to the page where assumptions are disclosed. Further, disclose the capacity utilization data in a tabular format.
42. Risk Factor 32 - LM to remove the table and only give the summarized data. LM to disclose the major restrictive covenants, clauses and terms and conditions in loan agreements which have an impact on the issuer company and its investors.
43. Risk Factor 33 - LM to disclose the data on debt levels such as debt to equity and debt to net worth and DSCR etc. in a tabular format.
44. Risk Factor 40 - LM to disclose the power supply requirement for the installed capacity and disclosed the risks due to shortage, if any.
45. Risk Factor 42 - disclose the material instances of fraud by employees in past 3 financial years.
46. Risk Factor 43 - LM to disclose the details of trade receivable cycle of the issuer company. Disclose in a tabular format the receivables which are pending beyond the maximum receivable period prescribed by the issuer company. Further, disclose the receivables which could not be collected in past 3 financial years. Move the Risk Factor to Top 20.
47. Risk Factor 44 - LM to disclose insurance coverage as a percentage of insurable assets.

Capital Structure

48. At Page no. 96 - LM to disclose the date of incorporation in the table.
49. At Page no. 99 - LM to disclose the reasons for allotment of shares on private placement basis to 32 entities and relationship if any with the promoter / promoter group or any other related entity.

Objects of the issue

50. Disclose the reasons for incorporating new subsidiary for setting up the manufacturing plant.
51. Monitoring agency to monitor gross proceeds of the issue in terms of Regulation 41 of ICDR.
52. LM to update the details of purchase / payment made towards the land acquisition for the proposed project.
53. LM to disclose the mode of investments through which the issue proceeds are proposed to be invested in the subsidiary company.
54. At Page no. 131 - LM to disclose gross proceeds in the place of net proceeds under "*other confirmations*".

Articles of Association:

55. LM to include a categorical statement that it has gone through the Articles of Association (AoA) of the Issuer Company and confirm that no special rights are available to the Promoters / Shareholders in the AoA, at the time of filing of the offer document.
56. LMs shall confirm that as on the date of the offer document, the clauses / covenants of Articles of Association (AoA) of the Issuer Company are in compliance with the Companies Act and the Securities Laws, as applicable.

Other Sections

57. LM to confirm and disclose that all special rights given to shareholders under any agreements / arrangements shall lapse on listing of equity shares.
58. At 'Industry overview': Clause 24 (3) of SEBI (ICDR) Regulations, 2018, requires that the LM shall exercise due diligence and satisfy himself about all aspects of the issue including the veracity and adequacy of disclosure in the draft offer document and the offer document. In view of the same, LM is advised to ensure that:
- 58.1. The 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.

- 58.2. The “Industry Overview” section represents a fair and true view of the comparable industry scenario and the same is neither exaggerated nor have any underlying assumptions been omitted for investors to make an informed decision.
- 58.3. LM is further advised to include 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.
59. 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.
60. LM is advised that reference to name of any place mentioned in the offer document may be followed by name of City / State, as the case may be.
61. With respect to all the complaints received by LM / company / forwarded by SEBI, LM is advised to ensure that there is adequate redressal of the complaint and relevant disclosures of the same 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.
62. LM is advised to ensure that the disclosure of details of all the criminal matters initiated by or against the company, group, directors, promoters, subsidiaries which are at FIR stage and no / some cognizance has been taken by court, is incorporated in the offer document along with appropriate Risk Factors in this regard.
63. Any risk on pricing of the issue / basis of issue price, track record of BRLMs, average cost of acquisition of shares by selling shareholders etc. which is proposed to be included in the issue advertisement may be submitted.
64. 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.

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

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 RHP 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.
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:

65.1. 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.

65.2. 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 !!!

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.** List of banks supporting UPI is also available on the website of SEBI at www.sebi.gov.in**.*
