



सहायक महाप्रबंधक

Assistant General Manager

निगम वित्त विभाग / Corporation Finance Department

रजिस्ट्रीकरण, मंजूरी, पत्र-व्यवहार/Registration, Approval And Correspondences

निर्गम एवं सूचीबद्धता प्रभाग / Division Of Issues And Listing – I

SEBI/HO/CFD/RAC/DIL-1/EB/SM/OW/2024/24400/1

July 30, 2024

Unistone Capital Private Limited
A/305, Dynasty Business Park
Andheri Kurla Road, Andheri East
Mumbai – 400059

Kind Attn: Shri Brijesh Parekh

महोदय,
Dear Sir,

विषय / Sub: Diffusion Engineers Limited का प्रस्तावित आईपीओ / Proposed IPO of Diffusion Engineers 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) रेग्यूलेशन्स, 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.

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2. 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.**

3. यह स्पष्ट किया जाता है कि भारतीय प्रतिभूति और विनिमय 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 विनिमय बोर्ड [पँजी 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.

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4. यह भी पूरी तरह से स्पष्ट किया जाता है कि यद्यपि इस बात की जिम्मेदारी मुख्य रूप से निर्गमकर्ता (इश्युअर) 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 (मर्चेन्ट बैंककार) विनियम, 1992 [सेबी (मर्चेन्ट बैंकर्स) रेग्यूलेशन, 1992] के अनुसार सेबी के पास पूरी तत्परता बरते जाने के संबंध में तारीख April 27, 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 April 27, 2024, in accordance with SEBI (Merchant Bankers) Regulations, 1992.

5. 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.

6. 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.**

7. 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.


8. 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.

9. आपसे अनुरोध है कि इस पत्र की प्राप्ति के 15 दिवस के भीतर अपना उत्तर प्रस्तुत करें।

You are requested to submit your response within 15 days of the receipt of this letter.

स्थान / Place: मुंबई / Mumbai


(Sanjukta Mahala)
सहायक महाप्रबंधक
Assistant General Manager



Annexure I

OBSERVATIONS

1. Please refer to our letter dated May 21, 2024, your letter dated June 06, 2024 and all other correspondences exchanged. In this regard, LM is advised to ensure that the changes made pursuant to our initial as well as subsequent set of clarifications are duly incorporated in the updated DRHP and RHP.
2. Wherever the LM has undertaken to modify the risk factors in its replies, the same shall be duly modified and incorporated in the updated DRHP and RHP.
3. Wherever the LM has mentioned "Noted for compliance" or "Complied with and noted for compliance" in its replies, LM shall ensure that the same are duly complied with.
4. With respect to "Summary of the Offer Document" LM is advised to use simple conversational language and no abbreviations shall be used.
5. With respect to the section "Definitions and Abbreviations" for Technical, Company / Industry related Terms or Abbreviations, along with the expanded form, suitable meaning / explanation to be provided in simple language.
6. The LM to also ensure that the entire DRHP the language used 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 every place where they are used.
7. LM is advised to disclose the face value of the Issuer Company where the number of shares has been mentioned in the DRHP.
8. LM is advised to ensure that the disclosure of risk factors are based on materiality also provide adequate and to make cross-reference the exact page no. of DRHP, wherein the details of information has been disclosed.
9. With respect industry reports commissioned by third party agency, LMs are advised that 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.
10. LM is advised to include industry report in the list of material documents for inspection and also provide a link in the offer document including other material documents mentioned in the offer documents, for online access.
11. LM shall ensure that the offer documents of the company should provide - 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 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.

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12. LM is advised to incorporate all the certificate certified by the Chartered Accountants under section Material contracts and documents for inspection.

Summary of the Offer Document:

13. LM is advised to disclose only the main operation and business of the company under the heading “ Summary of the primary business of our Company”.
14. LM is advised to disclose the percentage wise revenue for various business verticals and product categories and based on region-wise sales.
15. Page 35 – LM is advised to define weighted average price under this para.
16. Page 36 - LM is advised to disclose the reasons for issuance of shares on preferential allotment at a price of Rs.762 per equity share. Also disclose the reference to necessary approvals and valuations if any in this regard.

Risk Factors

17. Risk Factors – Every Risk Factor shall be provided with a cross reference to the detailed description of the facts/reasons in the updated DRHP / RHP, wherever applicable.
18. LM is advised to review all risk factors and rephrase them in easy understandable language and disclosures should be crisp and directly specify the risks associated with supporting quantifiable data. Also, delete general vague statements that do not specify any risks/ add value to risk factors and for which cross references can be provided to other sections in the DRHP.
19. LM is advised to confirm that all past instances having material impact on the company have been disclosed along with quantifiable data.
20. As part of the Risk Factors generic statements are being made without clear indication of the situation. The LMs to ensure that any description of risk or description of the possibility of occurrence of an event/ situation shall necessary follow with a statement of disclosure whether such an event having material impact had occurred in past along with quantifiable data. If not than a categorical statement disclosing that no such event had ever happened in the past.
21. RF 3 - LM is advised to disclose that all of existing manufacturing facilities are located in Nagpur, Maharashtra, in the heading of the risk factor.
22. RF 5 - LM is advised to disclose the existing capacity and utilized capacity of the issuer company, where the details of proposed increase in capacity has been mentioned.
23. RF 6 - LM is advised to disclose the details with regard to supplier's concentration.
24. RF 11 - LM is advised to independently verify, confirm and disclose the following:
- As regard the allotment of equity shares to more than 49 persons, LM is advised to disclose that the procedures followed by the Issuer Company are as prescribed under SEBI Circular dated December 31, 2015 and provide due diligence in this regard.
 - update the status of the adjudication application filed by the issuer company.

- iii. Details with regard to compliance of provisions of deemed public issue in terms of relevant provisions of Companies Act, 1956 and Companies Act, 2013 as the case may be.
 - iv. Details with regard to compliance of SEBI circular dated December 31, 2015.
 - v. Status of compounding application filed with MCA if any.
25. RF 21 & 30 – A regards, incorrect filings and untraceable records, LM is advised to intimate the details of discrepancies, errors, missing records to ROC and disclose that the said intimation has been delivered to ROC. The said letter to be included under material document for inspection. Also, LM is advised to provide an undertaking from the Company/promoter/director confirming that for the non-traceable records the requisite filing has been made with the RoC in the relevant year. Further, for the said non-traceable corporate records BRLM to confirm that whether these records have been updated in the filings made by the Company in the subsequent years, if so, the details to be provided.
26. RF 24 - LM is advised to disclose the attrition rate of employees of issuer company.
27. RF 28 – As regards the physical shares, LM is advised to disclose more details like, the reason, entities, steps initiated for demat for the said shares etc.
28. RF 39 - LM is advised to disclose the details of information given to RBI, action if any taken by RBI,
29. LM is advised to include separate Risk Factor under appropriate heading disclosing the risk involved along with brief data, as applicable, in the heading on following points:
- a) Low capacity utilization of Unit III and Unit IV
 - b) LM to disclose the details of pending approvals required to be taken for the proposed project as a separate risk factor under suitable heading.
 - c) LM to disclose the details with regard to customer concentration risk with the data on top customers.
 - d) LM to disclose the negative cash flow from operations in FY20 23 under a separate risk factor.

Capital Structure

30. LM is advised to confirm that the shares for minimum promoter contribution is in compliance with Regulation 15 of SEBI (ICDR) Regulations.
31. LM is advised to verify and disclose the compliance of Companies Act, 1956 and the company act 2013 with regard to provisions of deemed public issue in the past by the issuer company.
32. LM is advised to disclose the transfer of shares to the promoter and promoter group entities from other shareholders.
33. LM is advised to disclose the details of shares if any held by Brijesh Parikh and his connected entities.
34. LM is advised to disclose the number of allottees in the table regarding share capital history of the company.

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35. As regards the allotments to 57 persons on August 11, 2008, LM is advised to disclose all the relevant details such as allotment, transfer, exit option, CA certificate etc. for the said allotment in the DRHP suitably as prescribed under SEBI Circular dated December 31, 2015. LM is advised to include the copy of the CA certificate on compliance of SEBI Circular in the list of material document for inspection. Also, LM is advised to incorporate the letter of LM confirming the compliance of Companies Act and SEBI Circular for the said details in the list of material document for inspection.

Objects of the issue:

36. LM is advised to independently verify and confirm and disclose if that majority of issue proceeds are directly or indirectly towards capital expenditure and hence in compliance with lock-in provisions of SEBI ICDR regulations.
37. LM is advised to ensure that the usage of funds is as disclosed in the Objects of the Issue and any spill over from the intended objects of the issue to the GCP is not carried out by the issuer company.
38. Offer expenses – As regard the offer expenses, LM is advised to disclose the statement that the offer related expenses shall be paid by the selling shareholders irrespective of proposed IPO to be successful or not.
39. As regards monitoring of utilisation of funds LM is advised to comply with Regulation 41 of ICDR Regulations, 2018. LM is advised to modify the same at all the places of the DRHP.
40. As regards proceeds of the issue, it has been observed that “Net Proceeds” has been used in the DRHP. LM is advised to disclose the term proceeds/issue proceeds/proceeds of the issue as prescribed under ICDR Regulations, 2018.
41. LM is advised to update the details of schedule of implementation as mentioned in Page 162 of the DRHP.
42. In Page 162, LM is advised to substantiate the statement “we are venturing into mining and defense industries where there is a substantial demand of wear and tear resistant solutions...” with details and approvals if any.
43. In page 166 and 171, LM is advised to update the status with regard to government approvals.
44. LM is advised to substantiate with details the reason for increase in inventories as on December 31,2023 compared to March 31, 2023 without corresponding increase in revenue for the same. LM to substantiate the estimate of inventories for the period March 31, 2024 and March 31, 2025.
45. Page 174 – General corporate purposes - LM is advised to identify the purposes of the uses of the gross corporate purposes of the Issuer Company and confirm that the said purpose is not used for the objects of the issue of the issuer company that the company is proposed to raise in the IPO.
46. In Page 177, LM is advised to ensure monitoring of gross proceeds in terms of regulation 41 of SEBI ICDR Regulations,2018.

Basis for offer Price

47. LM is advised to update the data as disclosed in the DRHP.
48. Under section Basis of Offer Price, LM is advised to disclose that the certificate issued with respect to KPIs shall be included in the list of material documents for inspection.
49. Page 181 – LM is advised to disclose more comparable companies for the comparison with listed industry peers.
50. Page 186 – LM is advised to define WACA.

Industry Overview

51. LM is advised to provide conformation that whether the disclosure made in the industry report prepared by CRISIL is excerpt and there is no material information in the industry report has not been missed out.

Our Business

52. LM is advised to remove the futuristic statements/ proposed plans (not substantiated by facts) wherever disclosed in the DRHP.
53. Under business section LM is advised to disclose the following:
 - Equipment details like owned or rented or third party equipment
 - Employee of the issuer company, contract employees
 - Raw Materials
54. Page 261 – Employees - As regard the employees of the Issuer company, LM is advised to disclose whether the statutory dues to the Government and provident fund for all full time employees have been paid for the last three years. LM shall disclose total PF being paid for number of employees and whether the same is paid as per statutory law/obligation and the amount paid. Such details and bifurcation shall be disclosed for various dues such as PF, ESIC, GST, TDS, other statutory contributions etc. shall be given in the document and whether the obligation have been duly discharged in terms of the applicable laws.

Our Management

55. LM is advised to provide a confirmation that the independent directors of the Issuer Company are not related or associated in any manner directly or indirectly with the promoters/promoter group/directors/KMP or their relatives of the issues, subsidiary, group, associate etc.
56. LM is advised to disclose the details of nominees of the shareholders, if any.

Outstanding Litigation

57. LM is advised to update the status of the all litigations as disclosed in the DRHP.
58. As regards the outstanding actions by the regulatory and statutory authorities, LM is advised to disclose clearly that whether the said matters are pending or closed.

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Government and other approvals

59. LM is advised to disclose the date of the documents/agreements/approvals and categorically disclose whether the document is valid as in the date of filing of DRHP.
60. Page 273 - LM is advised to confirm and disclose that all the special rights to the existing shareholders will cease to exist at the time of listing.
61. Page 283 - LM is advised to update the details of directors as per the submissions
62. Regarding Articles of Association, LM is advised to be guided by the principle that all special rights under any shareholder or other agreement or Articles shall stand terminated in accordance with the provisions and can be instated only on the basis of shareholder approval through special resolution. LM is advised to provide confirmation that Part B shall be terminated at the time of UDRHP. Also, BRLM is advised to confirm that the AoA does not have any rights in any manner.
63. LM is advised to confirm that all transactions in Equity Shares by the Promoters shall be reported to the Stock Exchanges within 24 hours of such transactions. Also, the details of such transactions shall also be included in the Price Band advertisement.
64. LMs shall confirm to SEBI that as on the date of the offer document, the clauses / covenants of AoA of the Issuer Company are in compliance with the Companies Act and the Securities Laws, as applicable.
65. LM is advised to provide a confirmation that the public shareholders of the Issuer Company are not related or associated in any manner directly or indirectly with the promoters/promoter group/directors/KMP or their relatives of the issues, subsidiary, group, associate etc,
66. Related Party Transactions – LM is advised to ensure that the names of the related parties have been disclosed, for each transactions and for outstanding balances.
67. LM is advised to ensure that relevant disclosures as to all actions/complaints/pending litigations with other Regulatory Authorities are made in RHP.
68. During the interim period of issuance of observation and listing, for 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, disclosures are made in the RHP and other 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.
69. LM is advised to comply with the timeline for listing of shares in Public Issue of T+3 days as prescribed under the SEBI Circular dated August 09, 2023.
70. LM is advised to provide a confirmation that the public shareholders of the Issuer Company are not related or associated in any manner directly or indirectly with the promoters/promoter group/directors/KMP or their relatives of the issues, subsidiary, group, associate etc,



71. 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 emphasising on appropriate Key Performance Indicators as applicable to the industry in which the issuer company operates in quantitative terms, (For illustration, P/E ratio in case DRHP is filed under Regulation 6 (1) of the ICDR Regulations (and /or) Market Cap / Total Revenue ratio in case DRHP is filed under Regulation 6 (2) of the ICDR Regulations), with corresponding suitable explanations so as to justify the offer price”.
72. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments, if any.
73. LM is advised to ensure compliance with all the directions given to Association of Investment Bankers of India (AIBI).

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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 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."
8. LM is advised to ensure that SCORES authentication is taken by the issuer company prior to listing.
9. 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.
10. **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 centres 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 !!!

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**.*

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