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November 2, 2023

सेबी/सीएफडी/RAC-डीआईएल1/P/OW/2023/44372/1
SEBI/HO/CFD/RAC-DIL1/P/OW/2023/44372/1

ICICI Securities Limited

ICICI Venture House,
Appasaheb Marathe Marg, Prabhadevi,
Mumbai 400025
Maharashtra, India

Kind Attention: Mr. Prem D' Cunha / Mr. Shekhar Asnani

महोदय,
Dear Sir,

विषय /Sub: Fedbank Financial Services Limited का प्रस्तावित आईपीओ /Proposed IPO of Fedbank Financial Services Limited

उपरोक्त से संबंधित प्रारूप प्रस्ताव दस्तावेज (ड्राफ्ट ऑफर डॉक्यूमेंट), भारतीय प्रतिभूति और विनियम 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 विनियम 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.

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.**

2. 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 [पूँजी का निर्गमन (इश्यू) और प्रकटीकरण अपेक्षाएँ विनियम, 2018 [सेबी (इश्यू ऑफ कैपिटल एंड डिस्क्लोज़र रिकायरमेंट्स) 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.

3. 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) रेग्यूलेशन्स, 1992] के अनुसार सेबी के पास पूरी तत्परता बरते

जाने के संबंध में तारीख July 26, 2023 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 July 26, 2023, in accordance with SEBI (Merchant Bankers) Regulations, 1992.

4. 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.

5. किसी भी प्रचार सामग्री या विज्ञापन में ऐसा कुछ भी उल्लेख नहीं किया जाएगा, जो प्रारूप प्रस्ताव दस्तावेज (ड्राफ्ट ऑफर डॉक्यूमेंट) 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.**

6. 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 शेषफीस 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.

8. 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



Poonam
सहायक प्रबंधक
Assistant Manager

Annexure I

OBSERVATIONS

1. Please refer to our letter/email dated August 22, 2023 and your reply vide letters dated September 8, 2023, September 14, 2023 and October 10, 2023 and all other correspondences exchanged.
2. In the above regard, LM is advised to ensure that the changes made pursuant to our initial clarifications and all correspondences exchanged are duly incorporated in the updated DRHP/ RHP/ Prospectus.
3. 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/ RHP/ Prospectus.
4. 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.
5. With regard to disclosing details of lead manager(s) on front outside page of draft offer document and the offer document, LMs are advised that all lead manager(s) are uniformly to be identified as Book Running Lead Manager(s) (BRLMs) without making any differentiation between lead manager(s). Lead Manager(s) / BRLMs, term is as per SEBI (ICDR) Regulations, 2018. Details regarding BRLMs acting as Global Coordinators / Joint Global Coordinators may be provided at section on inter-se allocation of responsibilities in the draft offer document and the offer document.
6. LM is advised to ensure that the following details are provided in the UDRHP/RHP - Price at which specified security (including preference shares) was 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. 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. **Summary of the Offer Document-** Simple conversational language to be used. No abbreviations shall be used.
8. **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.
9. 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.



10. Sequencing of the chapters in the offer document shall be strictly in terms of the Schedule VI of SEBI (ICDR) Regulations, 2018.
11. Clause 24 (3) of SEBI (ICDR) Regulations, 2018, requires LM to exercise due diligence and satisfy himself about all aspects of the issue including the veracity and adequacy of disclosures in the offer document. In view of the same, LM is advised to ensure that:
- The offer document shall not contain any information where no responsibility is taken by the BRLMs or the Issuer Company / Expert.
 - 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.
 - 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.
12. 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.
13. LM is advised to rearrange the risk factors in order of importance/ materiality. The risk factors, to the extent possible, should disclose the specific as well as financial/economic impact on the company rather than being generic.
14. 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.
15. LM is 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.
16. LM is advised to delete the term *selling shareholders* from the statement, "*If the Pre-IPO Placement is undertaken, it will be at a price to be decided by the Company and the Selling Shareholders, in consultation with the BRLMs and the minimum Offer Size (comprising the Fresh Issue so reduced by the amount raised from the Pre-IPO Placement, and the Offer for Sale) shall constitute at least 10% of the post-Offer paid up Equity Share capital of our Company.*" disclosed in notes to table "Offer size" on Page 14 and at all relevant places in the DRHP.



17. LM is advised to disclose a statement to Pre-IPO investors and in DRHP cautioning them about risks associated in case company does not come out with IPO after pre-IPO placement.
18. LM is advised to confirm whether names of Promoter group members have been disclosed as Promoter Group within shareholding in disclosures to Stock Exchange. (Page 15)
19. LM is advised to disclose details of ultimate BO and fund structure for True North Fund VI LLP. (Page 19)
20. In page 16, LM is advised to disclose the penalties / actions stake against the issuer company by statutory authorities and regulators (SEBI / SEs).
21. In Risk Factor 1, while disclosing the risk of offer price, LM is advised to disclose that investors may lose some or most of the Investments. LM is also advised to delete the term *selling shareholders* from the statement in first paragraph, "*The determination of the Offer Price by our Company and the Selling Shareholders, in consultation with the Book Running Lead Managers, is not based on a benchmark with our industry peers*". LM is advised to move down the risk factor.
22. Risk Factor 2 - LM is advised to rephrase the heading of risk factor as "*Though we have experienced growth in recent years, but we may not be able to.....*". LM is advised to disclose segment wise concentration of loan portfolio in terms of asset under management. Further, disclose whether any special campaign/ advertisement/ other drive to achieve business was conducted. If not, a negative statement to be disclosed in this regard.
23. LM is advised to disclose credit risk of MSME loans and Gold loans in the Risk Factor.
24. Risk Factor 4 - LM is advised to disclose risk from gold collateral and property collateral under separate headings.
25. Risk Factor 5- LM is advised to rephrase the heading of risk factor as "*Our major business is from our gold loan products but the loss of business in relation to such gold loan.....*". Further, LM is advised to disclose data to clearly substantiate how gold loans constitute significant AUM.
26. Risk Factor 6 - It is noted that majority of MSME loans are from self-employed individuals. LM is advised to disclose the risk of recovery of loans given to self-employed individuals. Further, LM is advised to disclose that percentage of stage 3 loans are higher for non-MSME loans for the FY 2023 along with necessary data. Also, disclose absolute figures for which percentage is given.
27. Risk Factor 7 - LM is advised to disclose in the heading "In the past, RBI has imposed penalty for certain non-compliances." LM is advised to disclose actions

taken/ penalty levied by RBI in the last 3 years and the reasons for the same in the Risk Factor. LM is advised to also disclose any observation issued by RBI but not complied by company or pending compliance, if not, a negative statement to be disclosed in this regard. Further, disclose years for which risk assessment reports and past inspection reports disclosures have been made.

28. Risk Factor 8- LM is advised to disclose the amount of NPA in the heading of the risk factor. LM is advised to disclose the segment wise concentration of NPA in the risk factor. LM is advised to also disclose the risk associated with the recovery process/ liquidation of assets as separate risk factor under suitable heading. Further, disclose details of Gross & Net NPA for last 3 FY.
29. Risk Factor 10- LM is advised to move down the risk factor.
30. Risk Factor 11- LM is advised to disclose with financial data, risks specific to floating interest rate loans.
31. Risk Factor 12 - LM is advised to disclose the details of current credit rating and also the details of downgrade in rating/ outlook and withdrawn credit ratings in the last 3 FY in the Risk Factor.
32. Risk Factor 14- LM is advised to rephrase the heading of risk factor as "*As on March 31, 2023, our operations are concentrated in six states and two union territories and any adverse developments in these regions.....*". Further, disclose percentage concentration in heading.
33. Risk Factor 15, 17, 20, 38 - LM is advised to move up the risk factor to top 10.
34. Risk Factor 17 - LM is advised to disclose past incidents in the last 3 years in the risk factor. LM is advised to also disclose major complaints received from the customers in the Risk Factor.
35. Risk Factor 18- LM is advised to disclose details of market share of the company and its competitors.
36. In Risk Factor 18, LM has stated that "*NBFCs slightly lost market share in Fiscal 2022 due to the increasing focus of banks (both public and private) towards gold loans and RBI permitting banks to offer gold loans at a higher LTV*". Also refer to data disclosed in page 151 of DRHP. LM is advised to disclose the risk of competition faced by the issuer from established banks having large network of branches/ ATMs having potential for cross selling including the parent bank as a separate risk factor (along with data) under suitable heading in DRHP.
37. Risk Factor 28, 33, 39- LM is advised to move up the risk factor to top 15.
38. Risk Factor 31- LM is advised to disclose AML/CFT violations if any in the last three years.

39. Risk Factor 35 - LM is advised to disclose actions taken/ warning letters / penalties by SEBI/ SEs. LM is advised to clarify/ correct the statement, *"Our NCDs of Rs. 2 billion and Rs. 2 billion are rated CARE AA"*.
40. Risk Factor 40 - LM is advised to suitably rephrase the risk factor to clearly disclose risk associated with utilization of net proceeds to maintain CRAR. LM is advised to remove *" we will not be using the net proceeds for any specified projects"*.
41. Risk Factor 57 - LM is advised to remove *"you should consult your own Advisors and Undertaker independent assessment of information in this DRHP..."* . LM is advised to disclose that all the BRLMs have carried out due diligence and submitted due diligence certificate that information contained in this offer document are correct.
42. Risk Factor 59- LM is advised to disclose impact of auditor's emphasis of matter paragraph in the risk factor.
43. LM is advised to disclose suitably in a risk factor, risks related to and reasons for increase in GNPA and NNPA ratios from FY 2021 to FY 2022 and FY 2023.
44. LM is advised to disclose details of past actions and penalties imposed by RBI against the Promoter of the company (direction for refund of excess processing charges collected during financial year 2021-22, penalty of ₹0.50 crore imposed on July 31, 2019 and ₹5.72 crore on July 07, 2022).
45. LM is advised to confirm whether Business Correspondents (BC) or Promoter are engaged in getting business for the Issuer. If yes, LM is advised to disclose details of the same in a suitable risk factor.
46. LM is advised to disclose an additional Risk Factor stating that pursuant to listing of the shares, the Issuer company may be subject to pre-emptive surveillance measures like Additional Surveillance Measure (ASM) and Graded Surveillance Measures (GSM) by the Stock Exchanges in order to enhance market integrity and safeguard the interest of investors.
47. LM is advised to include the following risk factor related to Competition risk-
- Risk arising out of competition from Muthoot Finance which is the major player for gold loans in the southern region under suitable heading in DRHP.
48. LM is advised to disclose a suitable risk factor regarding actions taken by IRDAI against M/s Max Bupa Health Insurance Company Ltd., (erstwhile name of M/s Niva Bupa Health Insurance Company Ltd.) vide its orders dated 30.10.2017 and 26.4.2016.



49. LM is advised to disclose a suitable risk factor on line items which have led to reduction in Tier I capital ratio of the company from FY 2022 to FY 2023. (refer page 94)
50. In reference to untraceable corporate and secretarial records of the company in connection with allotment of equity shares for certain allotments, LM is advised to obtain CA certificate confirming receipt of money and allotment of shares; and affidavit confirming the transactions from the allottees and Issuer company.
51. Objects of the Offer- LM is advised to disclose the absolute figures of current CRAR and Tier I & Tier II capital. The LM to disclose the extent of business / risk weighted assets that is required to be achieved by the issuer to meet the equity capital infusion in Tier I and Tier II. Till such time the issuer is not able to achieve the extent of business / risk weighted assets for the tier I and Tier II, how the proceeds of the IPO would be utilized and an appropriate Risk Factor for the same.
52. In disclosures related to *Offer Expenses* on Page 94, LM is advised to disclose that offer related expenses shall be paid directly from the Public Offer Account irrespective of whether the company comes out with the public issue or not.
53. LM is advised to review the list of listed peers disclosed in the *Basis for Offer Price* section and explain specific reasons for inclusion/ exclusion of peers as disclosed in *Industry overview* (Page 174 to 183) and other listed NBFCs such as Bajaj Finance, Cholamandalam Investment & Finance Company Limited, Sundaram Finance, etc. Further, LM may be advised to disclose brief business profile of these selected listed peers.
54. In page 68, LM is advised to disclose the reasons for increase in borrowings availed and borrowing repaid in FY ended March 31 2023 compared to FY ended March 31 2022.
55. In page 76 LM is advised to disclose how BRLM- Equirus and the issuer company are Associates. LM is advised to also disclose the conflict of interest arising out of same as a risk factor in the RHP.
56. In page 87 LM is advised to confirm lock- in of pre issue capital including pledge shares disclosed therein in terms of SEBI ICDR Regulations.
57. In page 93, LM is advised to remove the line "*this may entail rescheduling....*".
58. In disclosures related to *Offer Expenses* on Page 94, LM is advised to disclose that offer related expenses shall be paid directly from the Public Offer Account irrespective of whether the company comes out with the public issue or not.
59. In page 98 and 187, LM is advised to delete the phrase "*which is difficult to replicate*" from Qualitative factors disclosed.

60. In page 106, LM is advised to disclose comparison with more listed industry peers.
61. LM is advised to disclose a suitable risk factor related to disclosures “NBFCs compete on the basis of operating efficiency, turnaround time, local connect while managing risks” on page 152.
62. In page 205, LM is advised to disclose credit ratings for last 3 FY.
63. In page 208, LM is advised to disclose and confirm that company has no pending statutory dues in relation to its employee (eg. Provident Fund, etc.). Further, disclose details of number of employees and statutory dues paid for them by the company in last 3 FY.
64. In page 268, disclosures related to *Customer Wise % stage 3 mortgage loans* and *Customer Wise % stage 3 loans (excluding gold loans and others)*, LM is advised to disclose absolute figures also.
65. In page 230, LM is advised to delete all rights of shareholders disclosed in *Shareholders’ agreements* before filing RHP.
66. In page 231, LM is advised to disclose complete details of when the shares were pledged and term of pledge.
67. LM is advised to disclose details of the upside sharing arrangement referred to in Page 232.
68. LM is advised to confirm that the company is in compliance with corporate governance norms and composition of Board of Directors as per applicable laws and regulations.
69. In page 235, LM is advised to clarify and disclose reason for designation of Director as “*Additional Independent Director*”.
70. In page 251, LM is advised to disclose brief summary of audited financial statements of Promoter for last 3 FY.
71. In page 253, LM is advised to disclose in brief, details of Promoter group companies including their shareholding, present business activities, interest of these companies in Issuer Company, etc.
72. LM is advised to update status of all pending litigations disclosed in *Outstanding litigation* section.
73. In page 261, it is noted that Bad Debts write off has increased in 2023 compared to 2022. LM is advised to disclose the same as Risk Factor.

74. LM is advised to provide an undertaking and disclose that there are no special rights assigned to any person in the AoA.

75. Legal and Other Information-

- i. LM is advised to identify and include risk factor for material litigation, if any, 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 ensure the disclosures of all actions taken by the statutory and regulatory authority.

76. LM shall disclose the details of the pledged shares held by the promoters/promoter group in the Issuer Company / its subsidiaries.

77. LM is advised to adhere to the following conditions:

- i. UDRHP is filed with SEBI not less than seven working days prior to submission of the draft advertisement for announcement of price band advertisement.
- ii. UDRHP shall contain necessary updated disclosures justifying the offer price under Section – “Basis for offer price”, “Risk Factors” etc., particularly 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 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.

78. 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.

79. LM is advised to specifically mention in the RHP that all special rights available to the Shareholders, will cease to exist upon listing of Equity Shares on the Stock Exchanges pursuant to the Offer, (without requiring any further action) except for rights subject to approval of the Shareholders by way of a special resolution, in a general meeting post listing of the Equity Shares.



80. LM is advised to disclose the details of all profit sharing arrangements involving the Issuer, promoters, promoter group, directors and shareholders, if any.
81. 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.
82. LM is advised to verify and disclose if the name of any of the directors, promoter and promoter group persons is appearing in the list of directors of struck-off companies by ROC/ MCA. Also verify 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.
83. LM to disclose all the complaints received so far, if any and forwarded by SEBI for comments be under material documents available for inspection along with their respective replies.
84. 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.
85. 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.
86. 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.
87. 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.
88. Under section "Monitoring of Utilization of funds", LM is also advised to make suitable disclosure on following points:
- The proceeds of the issue shall also be monitored by the Audit Committee till utilization of the proceeds.



- ii. For any investments in acquisitions or strategic partnership or any inorganic growth initiative, post IPO from the IPO proceeds, detailed disclosures of same shall be made in public domain at that time.
 - iii. Issuer Company shall provide details / information / certifications obtained from statutory auditors on the utilization of the Net Proceeds to the Monitoring Agency.
 - iv. Issuer Company shall for the purpose of quarterly report by Monitoring Agency, provide item by item description for all the expense heads under each object of the issue.
 - v. Issue Company shall in its quarterly Notes to Accounts of its Financial Statements include the employment of issue proceeds under various heads.
89. In reference to pre-IPO placement undertaken by the company, LM is advised to suitably disclose risk to investors applying in IPO at a price higher than the pre-IPO price in the price band advertisement.
90. LM is advised to ensure compliance with SEBI direction to AIBI vide email dated July 4, 2023 related to disclosures pertaining to Pre-IPO placement and transaction of shares by promoters and promoter group(s) in the Public Announcement and Price Band Advertisement.
91. LM is advised to disclose offer expense to be borne by the issuer vis-à-vis Gross Fresh proceeds only (excluding expenses for OFS). LM is advised to ensure that Net offer should be calculated as Proceeds from Fresh issuance deducted by offer expense to be borne by the issuer.
92. 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.

93. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments, if any.
94. In respect of advertisement for announcement of Price Band, LM shall ensure the following is included:
- Recommendation of the Committee of Independent Directors that the price band is justified vis-à-vis the last round of fund raising giving quantitative factors / KPIs.
 - The portion pertaining to "Risks to Investors" shall constitute at least 33% of the price band advertisement space.
 - LM shall ensure that all issuer companies filing offer document should provide - Price at which specified security was 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. 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.
 - 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:

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

- The font size for price band and "Risk to investors" should be increased to match the font of BID/Offer Programme.



- vi. 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.
- vii. The portion pertaining to "BRLMs" shall not constitute more than 10% of the price band advertisement space.
95. LM shall ensure that the details with respect to Fresh Issue and Offer for Sale be separately disclosed in the Price Band advertisement and details of selling shareholders be presented in a tabular format.
96. LM shall ensure that the range of acquisition price (lowest price-highest price), as disclosed in the RHP and Price Band advertisement, should not be 'Nil' and be computed exclusive of bonus and gift.
97. LM is advised to disclose major risk factors concisely in the "Risk to investors" section of the Price Band Advertisement.
98. LM shall ensure that the details of past issues handled by BRLMs, which closed below the offer price on the listing date, to be published in the below mentioned format:

BRLMs	Total Issues	Issues closed below IPO Price on listing date
BRLM 1/ BRLM 2/ BRLM 3		
Common issues of BRLMs		
Total		



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 cover page to be strictly in compliance with the ICDR Schedule VI- all extra texts may be avoided to ensure that the focus remains on the statutory texts mentioned in the Schedule.
4. 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.
5. 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.
6. LM is advised to ensure that exact cross-referencing of page numbers is provided in the offer document instead of general cross-referencing.
7. In terms of Regulation 7.(1)(c) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and Regulation 31.(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Issuer Company and the Lead Manger are advised to ensure compliance with the requirement pertaining to shareholding of promoter(s) and promoter group to be held in dematerialised form.
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 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 !!!

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****.*

