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SEBI/HO/CFD/RAC-DIL2/P/OW/2025/10191/1
April 03, 2025

Axis Capital Limited
1st Floor, Axis House,
P.B. Marg, Worli,
Mumbai 400 025,
Maharashtra, India

Kind Attention: Mr. Jigar Jain

महोदय / महोदया,
Dear Sir / Madam,

विषय / Sub: Proposed IPO of AYE FINANCE LIMITED (Aye /the Company/Issuer)

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.

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 (BRLM/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 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 [पूँजी 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 (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 विनिमय बोर्ड (इश्यू ऑफ कैपिटल एंड डिस्क्लोज़र रिकॉयर्समेंट्स) रेग्यूलेशन, 2018 के अनुसार सेबी के पास पूरी तत्परता बरते जाने के संबंध में तारीख December 16, 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 December 16, 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 विनिमय 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 भुगतान 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 payment may be made 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



Anmola Agrawal

Annexure I

OBSERVATIONS

1. Please refer to our letter dated January 08, 2025 and the response received from Book Running Lead Managers (**BRLM / LM**) vide letter dated January 20, 2025 and all other correspondences exchanged. LM is advised to ensure compliance with the same.
2. The LM is advised to ensure that the language used in the Draft Red Herring Prospectus (DRHP) 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.
3. 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 no. of the DRHP/UDRHP, wherein further information has been disclosed.
4. LM is advised to disclose the face value of the shares at all relevant places in the UDRHP.
5. LM is advised to incorporate all the certificates issued by the Chartered Accountants under the section Material Contracts and Documents for Inspection.
6. In case the company is contemplating issuance of Equity Shares through pre-IPO placement:
 - 6.1 LM is advised to confirm and disclose that the Pre-IPO allottees have been appropriately informed that there is no guarantee that the IPO may come through or listing will happen and the investment is being done solely at the risk of the investor. Such information shall be provided to the investors prior to the allotment of shares.
 - 6.2 LM is advised to disclose that the amount of Pre-IPO placement is to be used for the object of the Issue as disclosed in the draft offer document.
 - 6.3 The Pre-IPO placement undertaken by the company, if any, to be disclosed as a risk to the investors applying in IPO, and whether the Pre-IPO was at a price higher / lower than the IPO price. Further, such Risk Factor to be included in the price band advertisement.
 - 6.4 LM is advised to confirm whether the pre-placement funds raised shall be subject to monitoring by the monitoring agency appointed by the Company.
7. LM is advised that Financial Risk and Operational Risk shall be suitably corroborated with appropriate ratios.

8. LM is advised to confirm and disclose that the AoA does not confer special rights to any person in any manner.
 9. LM is advised to provide details of Signing law partner (name/ email address and contact person)
 10. LM is advised to ensure consistency of data mentioned across the Offer Document.
 11. Pg. 20: LM is advised to disclose the background and history of the Company. The details should include as to how the company came to be established and evolved to its present position. Further, LM is advised to provide cross reference to "History and Certain Corporate Matter" in the offer Document.
 12. Pg. 23 – LM is advised to explain reason for increase in profit in detail under relevant sections of the DRHP.
 13. Pg. 24- Under "Summary of outstanding litigation"- LM is advised to clarify whether the figure 3845 (number of criminal proceedings by the company) represents amount involved or number of cases. Further, LM is advised to provide total count of cases and cumulative claim amount, irrespective of materiality. The same may be updated under the relevant sections of Offer Document.
- 14. Risk Factors**
- 14.1. RF1 – (i) LM is advised to state that there is increase in NPA rate (along with percentage) in the title itself. Further, LM is advised to explain reason for increase in NPA rate along with steps taken to mitigate the increase in NPA rate. (ii) LM is advised to provide a separate risk factor with respect to losses incurred due to customer defaults (Fiscal 2022). Further, LM is advised to mention data with respect to any past instances of material write offs an customer defaults along with reasons.
 - 14.2. RF2: LM is advised to disclose data with respect to Average Ticket size and amount of loan disbursed for fresh and repeat customers. Also, LM is advised to disclose the data in absolute and percentage terms.
 - 14.3. RF5 – LM is advised to mention the percentage of interest income of total income in percentage terms in the title itself.
 - 14.4. RF 6, 8 – (i) LM is advised to provide break up of total borrowings between unsecured and secured bank loans, bonds etc... (ii) LM is advised to provide break of mode of borrowings such as term loans, bond, Non-convertible debentures, working capital along with material details (such as listed, unlisted, average rate of

- borrowing etc.) (iv) LM is advised to insert a separate risk factor w.r.t extent of securitization transactions undertaken with issuance of unlisted Pass Through Certificates and listed Securitized Debt Instruments along with data for past three years and stub period. Further, LM is advised to mention amount in absolute and percentage of borrowing mix in the title itself. (v) LM is advised to provide cross reference to the chapter 'Financial Indebtedness" (vi) LM is advised to explain reason for non-disclosure of "Borrowing under securitization arrangement" under chapter 'Financial Indebtedness"
- 14.5. RF7 – LM is advised to mention steps taken by the company to mitigate high cost to income ratio.
- 14.6. RF 14: LM is advised to confirm and disclose measures taken by the Company to mitigate/address risk related to non-capture of audit trial for loan management software and other audit observations.
- 14.7. RF16 – (i) LM is advised to place the said RF in top 5. (ii) It has been observed that the Company has net negative cash flow from operating activity in past three years. LM is advised to mention that since when the Company has net negative cash flows from operation.
- 14.8. RF 18: (i) LM is advised to review the formatting of the table. The total may be reflected in the same row. (ii) LM is advised to express the gap/ Asset Liability mismatch in terms of percentage or proportions, as applicable. (iii) LM is advised to suitably incorporate (either as separate risk factor or under RF 18) risk with respect to interest rate and maturity mismatches between assets and liabilities in the future, including in the near term, which may cause liquidity concerns. Further, LM is advised to explain adverse effect on our business, results of operations, cash flows and financial condition
- 14.9. RF20 – LM is advised to provide data w.r.t. revenue earned in absolute and percentage with respect to seasonality of business for past three years and stub period.
- 14.10. RF22 – (i) LM is advised to disclose all RPT transactions undertaken during the [past three years and stub period along with balance outstanding. (ii) LM is advised to disclose reason and how the said advance will be used by its subsidiary, Foundation for Advancement of Micro Enterprises.
- 14.11. RF24 – LM is advised to provide brief details of income tax laws (under contingent liability).



- 14.12. RF29 – LM is advised to place the said RF in top 20.
- 14.13. RF 31: (i) LM is advised to place the said RF in top 15. (ii) LM is advised to specify percentage of securitized assets to total assets. Further, how much of funding can be attributed to securitization. (iii) LM is advised to disclose data with respect to same for past three years and stub period. (iv) LM is advised to review the risk factor and disclose why the Company has retained substantially all the risks and rewards of ownership while calling it securitization (v) LM is advised to basis/bifurcation of securitized assets which are meet the derecognition criteria and which do not. (vi) LM is advised disclose details of financial assets that have been derecognised in the past three years and stub period
- 14.14. RF33 – (i) LM is advised to disclose details of any past downgrade in credit rating since incorporation of the Company. (ii) LM is advised to place the risk factor in top 25.
- 14.15. RF35 – (1) LM is advised to mention reason (e.g. lower interest rate) for transfer of balances to other banks or financial institutions in the title itself. (ii) LM is advised to place the RF in top 15. (iii) LM is advised to explain impact of such transfers on the operations and financials of the Company.
- 14.16. RF 43: (i) LM is advised to indicate data with respect to expenses incurred on third party service providers in absolute and percentage (of total expenses) for stub period and last three fiscals.
- 14.17. RF44 – LM is advised to disclose in tabular format the list of documents, records, filings not available with the company with exact description. Further, LM is advised to write to MCA/RoC with specific details on non-availability of the documents/filings after confirming whether they have been filed with RoC on the respective relevant date. BRLM is advised to submit proof to SEBI on the availability of these documents in the subsequent filing with RoC
- 14.18. RF 56: LM is advised to redraft the risk factor explaining the effect of inflation on the business and operations of the company (including effect on lending) and other expenses.
- 14.19. RF 57: LM is advised to impact on business of operations and its legal effect, where issuer uses mediation or arbitration terms in their agreements
- 14.20. RF 70: LM is advised to redraft the risk factor clearly mentioning how takeover regulations are described as having anti-takeover provisions

- 14.21. RF71 - LM is advised to redraft the said risk factor.
- 14.22. LM is advised to provide a separate risk factor with respect to concentration of revenue and AUM across states. Further, LM shall disclose relevant data in absolute and percentage terms.
- 14.23. LM is advised to provide a separate risk factor with respect increase in PAR 30+ over the past years (*Refer pg. 226*).
- 14.24. LM is advised to provide a separate risk factor with respect to history of loan defaults.
- 14.25. LM is advised to provide a separate risk that even post capital infusion through net proceeds, it is likely that the Company may not grow as expected and may not result in increased revenue, profitability etc.
- 14.26. (i) LM is advised to provide a separate risk factor with respect to complaints receive by the Company from the customers (*Refer Pg. 370 in note 53.16*). Further, LM is advised to disclose complaint details for past three years and stub period and highlight top five grounds of complaint. (ii) LM is advised to mention steps taken to minimize number of complaints submitted. (iii) LM is advised to place the said RF in top 25.
- 14.27. LM is advised to insert a separate risk factor with respect to debt securities listed on BSE, which are subject to strict regulatory requirements with respect to such listed debt securities. Further, LM is advised to disclose instances/details of any past penalty and non-compliance/violations.

15. OBJECTS OF THE OFFER

- 15.1. To meet future capital requirements, LM is advised to disclose the total loan book and its segregation on account of the equity and debt funded loans. The table shall further disclose the respective NPAs, if maintained and available. Else, consolidated NPAs shall be disclosed.
- 15.2. LM shall disclose the post-issue CRAR for the issuer.
- 15.3. LM is advised to confirm and disclose that all the expenses shall be shared on pro rata basis between the selling shareholder and the company even if the Offer is withdrawn or unsuccessful or if the Offer fails to open during the period of validity of the final observations issued by SEBI.
- 15.4. LM is advised to disclose that no lien shall be created in any manner.

- 15.5. LM is advised to confirm whether there is requirement of maintaining Tier II capital and if yes, the amount maintained by the company may be disclosed.
- 16.Pg.75: LM is advised to add name of signing partner, email address and contact person of the appointed legal firms and intermediaries.
- 17.Pg. 78: LM is advised to disclose the details of appointed monitoring agency in the Offer Document. LM is advised to update detailed of appointed monitoring agency under relevant sections of the Offer Document.
- 18.Pg. 90: LM is advised to delete reference 19(ii) (b) as no shares are being allotted to employees pursuant to ESOPs.
- 19.Pg. 92, 95: (i) LM is advised to disclose how the funding towards acquisition of shares by the Employee Trust was undertake. Further, LM is advised to explain how the shares are held or allocated and how the realizations given to beneficiaries. (ii) LM is advised to disclose the terms and tenure of the loan granted to the Employee Trust and how were the shares acquired.
- 20.Pg. 95: LM is advised to review the table with respect to number of shares held by employee trust on Pg. 92 and number of share outstanding. LM s advised to disclose reconciliation for the same.
- 21.Pg. 95-104: LM is advised to provide a consolidated table of grants made to KMPs across the ESOP schemes and disclose anyone crossing 5% or 1% threshold. Further, consolidated table to include the beneficial interest of the shareholding held by the employee welfare.
- 22.Pg. 116-121: (i) It has been observed that Borrowings is disclosed as one of the KPIs. Accordingly, LM is advised to include a separate KPI with respect to securitization as a source of funding (to be bifurcated into listed and unlisted). (Refer Pg. 197 and Pg. 337, note 45 - 45.1 and 45.2) (ii) LM is advised to disclose the rating and pool performance of securitized assets under disclosure of securitization
- 23.Pg. 193: LM is advised to disclose data on restructured portfolio should be shown for last three fiscal and stub period // in prior sections it's been shown like that for key financial ratios // see note 46 for data on restructured data
- 24.Pg. 140 – (i) LM is advised to ensure consistent data and period of data under the Industry Overview section. Further, LM is advised to ensure that geographical representation is consistently disclosed across all relevant and applicable sections. (ii) Under peer comparison under Industry Overview, LM is advised to ensure data foe past three fiscal

year and stub period is consistently disclosed. Further, LM is advised to ensure that comparison across the peer is consistent. Example Pg. 197 (borrowing mix for fiscal 2024 only), Pg. 198 (digital collection share percentage as of June 2024) (sourcing mix as of June 2024), (active customers as of fiscal 2024) credit rating shown as latest available ratings without any date). Further, it is observed that comparisons over a period absent nor shown graphically as to the movement. LM is advised to necessary redrafting and disclosure.

25. Pg. 213 – LM is advised to review and explain the total row in the table disclosed.
26. Pg. 222 – LM is advised to disclose revenue earned though the Switchpe platform.
27. Pg. 251: LM is advised to explain requirement of compliance of the Insurance Act, 2938 and IRDAI (Registration of Corporate Agents) Regulations, 2015. Further, LM is advised to include separate risk factor with respect to applicability of the said Regulations and make necessary references under relevant sections of the Offer Document.
28. Pg. 253: (i) LM is advised to redraft the history and corporate matters. The brief history should mention details such as who set it up the company, their present role (if any) in the company, details of change in control and shareholding in detail. (ii) LM is advised to disclose brief details of shareholder(s), namely Sanjay Sharma and Vikram Jetley. (iii) LM is advised to mention whether these persons were initially classified as promoter. If yes, till when they were disclosed as promoter. Otherwise, a negative statement in this regard may be disclosed.
29. Pg.263: Under directorship in other companies, LM is advised to disclose whether the company is Section 8/ non-profit, listed, unlisted or foreign company. In case of foreign company, LM is advised to disclose country of incorporation, listed/unlisted status.
30. Pg. 263: LM is advised to disclose the number of years of experience of all the directors.
31. Pg. 263: (i) LM is advised to disclose a separate risk factor with respect to Chairperson Mr. Govind Rajula Chintala and Independent Directors, Vinay Baijal & Padmaja Nair, are also on board with companies in similar lines of business. (ii) LM is advised to confirm and disclose any conflict of interest of Directors also on board of other companies in similar line of business. Further, LM is advised to mention steps taken by the Company and Board to deal with any possible conflict of interest.
32. Pg. 84, 322: LM is advised to disclose the terms of the warrant subscription agreement and pricing under Capital structure section of the Offer Document.

33. Pg. 412: LM is advised to confirm and disclose whether the company is permitted to earn revenue from advertisement and cross selling commission. LM is advised to explain the nature of cross selling commission (Other Income) and provide a separate risk factor (along with data for past three fiscal year and stub period) income.
34. Pg. 457: LM is advised to disclose details of count of cases and cumulative claim amount, irrespective of materiality, of all outstanding litigations.
35. Pg. 462 – LM is advised to confirm and disclose that that the Company does not have any group Company.
36. LM is advised to confirm and disclose whether any collateral has been sought for any loans. If yes, the same may be disclosed under relevant sections of the Offer Document.
37. LM is advised to disclose email ID for investor grievances and state that all complaints received on this email ID shall be taken up.
- 38. Financial information**
- 38.1. LM is advised to ensure that the financial information provided in UDRHP/RHP is not more than 6 months old from the issue opening date.
- 38.2. LM is advised to ensure that Restated Consolidated Financial Statements are prepared as per relevant Indian Accounting Standards and calculation of Operating Profit to check the eligibility under Regulation 6 of SEBI (ICDR) Regulations, 2018 are in line with established practices.
- 39. Government and other approvals**
- 39.1. LM is advised to disclose impact of any pending approval from Government and other authorities on financials and operations of the company. Further, please quantify the impact of non-approval, if any, if possible.
- 39.2. LM is advised to clearly disclose whether all approvals, which are required to be sought in relation to the business of the company, are in place. If no, LM is advised to include a separate risk factor with respect to the same.
- 39.3. Further, LM is advised to include and suitably update the details of pending licenses / approvals and permits (expired or under renewal) from statutory and regulatory authorities.



40. Outstanding Litigation and Material Developments

- 40.1. LM is advised to confirm and ensure that all litigation including criminal proceedings, action by statutory and regulatory authorities, material civil litigation has been disclosed.
- 40.2. LM is advised to identify and include risk factor for material litigation, if any, which may adversely affect the company.
- 40.3. 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.
- 40.4. LM is advised to ensure the disclosure of all actions taken by the statutory and regulatory authorities.
- 40.5. LM is advised to confirm that the existing litigations are not so major that the issuer's survival is dependent on the outcome of the pending litigation.
- 40.6. 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 UDRHP / RHP along with appropriate Risk Factors in this regard.

41. Industry overview

- 41.1. LM is advised to include the industry report the list of material documents for inspection and also provide a link in the offer document for online access of industry report.
- 41.2. LM is advised to avoid using the following paragraph (including content of similar nature) in the Offer document - "Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed, and their reliability cannot be assured". It may be mentioned that, in terms of Regulation 70(3) of SEBI (ICDR) Regulations, 2018, it is obligatory on the Lead Manager to perform necessary due diligence on the entire draft offer document, including the information provided under Industry Reports; and to ensure that the information provided in the DRHP is current, reliable and complete in all aspects, before submitting the offer document to SEBI.

- 41.3. LM is advised to ensure that the CRISIL Report relied upon while making disclosures in the draft offer document is included among the material contracts and documents for inspection. Furthermore, wherever (each instance) data from various reports have been used in support of disclosures made in the offer document, LM is advised to clearly qualify the source of such disclosures.
- 41.4. 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:
- 41.5. The draft offer document and the offer document, shall not contain any information where no responsibility is taken by the LMs or the issuer company/ Expert.
- 41.6. The "Industry Overview" section represents a fair and true view of the comparable industry scenario and the same is exaggerated nor have any underlying assumptions been omitted for investors to make an informed decision.
- 41.7. 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.

42. History and Certain Corporate Matters

42.1. Special Rights available to specific shareholders:

- 42.1.1. LM is advised to ensure that special rights as disclosed in the DRHP shall be terminated in accordance with advisory issued on June 24, 2024. Further, LM is advised to include a categorical statement that it has gone through AoA of the issuer company and agreements and confirm to SEBI that no special rights exist to the promoters/ Shareholders in the AoA or through agreements or any arrangements, at the time of listing.
- 42.1.2. LM is advised to ensure that Part B of the AoA of the company shall be deleted at the time of listing, if any. Further, as a part of corporate governance and continuing listing compliance, the issuer shall ensure that no reference is ever made about the special rights to any shareholder in any way or in any communication.
- 42.1.3. The above shall also be disclosed to the stock exchanges.

- 42.2. LM is advised to disclose if any of the selling shareholder are related to each other directly/ indirectly in any manner. If not, a negative confirmation to this effect should be disclosed in the relevant sections of the offer document.
- 42.3. LM is advised that inter-se agreements/ arrangements between the shareholders are disclosed under section 'History and certain corporate matters'.
- 42.4. LM is advised that a categorical statement from the issuer/promoter / promoter group / shareholder, may be provided that there are no other agreements, inter-se arrangements, any other agreements of like nature etc. other than disclosed in the DRHP. Further, confirmation may be provided that all the clauses / covenants which are material have been disclosed (in terms of the agreements already disclosed in the document) and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the public shareholders other than disclosed in the DRHP.
- 42.5. The LMs shall confirm to SEBI that they have gone through the agreements / inter-se agreements etc. as disclosed in the DRHP and they also do not see any clauses / covenants which are material, which need to be disclosed and have not been disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the minority / public shareholders.
- 42.6. LM is advised to disclose that AoA are in consonance with the Companies Act and the SEBI Act and regulations thereunder and that the Articles are meeting the requirements as laid down in the law and there are no special rights in any manner to any person.
43. LM shall ensure that the main/sub-headings in the UDRHP/RHP shall not have any abbreviations. The main/sub-headings shall be in fully expanded form with its abbreviations in brackets.
44. 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.
45. LM is advised to **ensure** that requisite steps are taken by the Company to comply with the compliance requirements pursuant to the listing including corporate governance norms, disclosure requirements, transactions with related parties, etc. as specified under SEBI (LODR) Regulations, 2015.
46. LM is advised to ensure that relevant disclosures as to all actions/complaints/pending litigations with other Regulatory Authorities is made in the UDRHP/RHP.

47. 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 Herring Prospectus and other Offer related material along with its financial impact, if any.
48. LM is advised to include details of RPTs and RPTs as a percentage of revenue at relevant section of the **offer** document with updations, if any.
49. 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.
50. 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.
51. 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.
52. 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 UDRHP / RHP along with appropriate Risk Factors in this regard.
53. 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.

54. 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:**
 - 9.1 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.

9.2 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.

better way of applying to issues by simply blocking the

* ASBA is a 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**.*
