



ASSISTANT GENERAL MANAGER
SOUTHERN REGIONAL OFFICE

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SEBI/SRO/OW/SG/AK/2022/1461/1

January 10, 2022

IIFL Securities Limited
10th Floor, IIFL Centre, Kamala City,
Senapati Bapat Marg, Lower Parel (West)
Mumbai - 400013

Sir

Sub: Proposed IPO of Radiant Cash Management Services Limited ("the Company"/ "Issuer")

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

1. As Book Running Lead Managers (LMs), you shall ensure that all changes are effected based on the observations / conditions contained in the Annexures before you file the offer document with the stock Exchange / ROC. A letter confirming these changes and explaining, in seriatim, the manner in which each observation / condition has been dealt with along with your comments should be submitted to us before you file the final offer document with ROC / Stock Exchange. **NO FURTHER CHANGES SHOULD BE EFFECTED WITHOUT SPECIFIC WRITTEN CONSENT OF SEBI.**



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दक्षिणी प्रादेशिक कार्यालय : 'ओवरसीज टॉवर्स' सातवी मंजिल, 756-एल, अन्ना सालै, चेन्नई - 600 002

Southern Regional Office : Overseas Towers, 7th Floor, 756-L, Anna Salai, Chennai - 600 002. Phone : 044 - 2852 6686, 2888 0222 Fax : 044 - 2888 0333 e-mail : sebisro@sebi.gov.in



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2. It is to be distinctly understood that submission of offer document to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made or for the correctness of the statements made or opinions expressed in the offer document. The LMs have certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI regulations for disclosures and investor protection in force for the time being. The LMs are advised to ensure the same with respect to SEBI (ICDR) Regulations, 2018. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.
3. 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 their responsibility adequately in this behalf and towards this purpose, the LMs have furnished to SEBI a Due Diligence Certificate dated October 08, 2021, in accordance with SEBI (Merchant Bankers) Regulations, 1992.
4. 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. 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. 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.





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If filing fees paid by you is less than the actual fees required to be paid, the LMs are advised to ensure and confirm compliance with the provisions of Schedule III of the said Regulations in regard to payment of the balance fees to SEBI.

If filing fees paid by you are more than the actual fees required to be paid, you are advised to inform SEBI about the amount to be refunded, along with detailed calculation of amount refundable and name of the person in whose favour the cheque may be issued by SEBI.

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

PLACE: CHENNAI





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Annexure I

OBSERVATIONS

1. It may be noted that competent authority has acceded to the request of BRLMs and issuer dated October 08, 2021 and has relaxed the strict enforcement of regulation 2(1)(pp) of SEBI (ICDR) Regulations, 2018 with regard to the disclosures / confirmation pertaining to Mr. John Devasahayam as a part of the Promoter Group of Radiant Cash Management Services Limited. It may be noted that said exemption and relaxation are provided based on the facts of the instant case and shall not be quoted as a precedent in future cases. BRLMs are advised to make appropriate disclosures in the offer document regarding the exemption and relaxation along with the grounds for seeking exemption.
2. Please refer to our letter / emails dated November 11, 2021 and your letter / e-mails dated November 29, 2021 and all other correspondences exchanged. LM is advised to ensure compliance with the undertakings given vide letter dated November 29, 2021.
3. LM is advised to provide in RHP the 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.
4. Observation on Risk Factors:
 - i) LM shall ensure that the risk factors, to the extent possible, should disclose specific as well as financial / economic impact on the company rather than being generic.
 - ii) LM shall ensure that risk factors that portray possible occurrences of certain events or situations should also indicate whether such events or situations have actually taken place in the past. If not, it should be clearly mentioned that no such events had happened in the past.
 - iii) Under risk factor 3, LM shall include the impact (both qualitative and quantitative) of proliferation of payment options other than cash, digital





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payments, etc., on the company's business, operations, financial conditions, cash flows, etc., in the past three years.

- iv) Under risk factor 4, LM shall include a table highlighting, on an yearly basis, the insurance coverage (individual sanctioned limits, if any) along with the actual coverage (losses covered) provided for the said losses, instances where coverage has been denied, including on account of delay in reporting. Also disclose past instances where claims have exceeded, insurance cover and impact on company's financials.
- v) Under risk factor 6, LM shall disclose impact of covid-19 on the revenue and profits of the company in the F.Y. 2019-20, F.Y. 2020-21 and F.Y. 2021-22 YTD.
- vi) Under risk factor 8, LM shall disclose the the impact of demonetisation on the business, operations, cash flows and financial condition of the company along with the preparedness of the company for similar measures / conditions in the future.
- vii) Under risk factor 9, LM shall review the usage of the phrase 'significant resources' in the context of acquisition or development of new technologies, as the company is unable to identify separately expenses for the said purpose.
- viii) Under risk factor 12, LM shall include the amount recovered (along with percentage), if any, against the amount of cash embezzled in the last 3 fiscals and shall highlight measures taken by the company to increase the effectiveness and reliability of its internal controls and procedures including the process of hiring.
- ix) LM shall carry out all the modifications and updations to the DRHP as per the undertakings given vide letter dated November 29, 2021.

5. Industry Report:

- i) LM is advised to insert the words 'company commissioned' before the acronym 'F&S report' used in the definitions and shall not refer the industry report prepared by F&S as 'independent report'. As per the undertakings given by the LM vide letter dated November 29, 2021, LM shall make disclosures related to the 'Industry report' in all sections of the offer document.
- ii) Further, with respect to the disclosures based on the industry report, LM is advised to ensure that the offer document shall not contain any information





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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.-

6. LM shall disclose the terms of financing arrangements entered into between the promoters and the employees and others in the Company for purchase of equity shares of the company under the section 'Capital Structure'. LM is advised to segregate the employee and non-employee in the table detailing financing arrangements in the section and include details of no. of shares bought and price at which shares were bought. LM is advised to confirm whether these financing arrangements were in accordance with the provisions of the companies act, 2013.
7. LM shall disclose under section "History and Certain Corporate Matters" of the offer document, that all special rights available to the Shareholders / Investors, shall cease to exist or expire /waived immediately before or on the date shares are allotted to public shareholders, without requiring any further action. LM shall ensure that special rights which will continue post listing are not prejudicial or adverse to the interest of the minority / public shareholders.
8. LM is advised to ensure that the DRHP / offer document does not any information where no responsibility is taken by the BRLMs and / or the Company. In view of this, LM is advised to delete the statement(s) under 'Section VII: Financial Information, Other Financial Information' wherein it has been inter-alia stated that *"The Audited Financial Statements should not be considered as part of information that any investor should consider to subscribe for or purchase any securities of our Company...and should not be relied upon or used as a basis for any investment decision...any BRLMs or the Selling Shareholders...accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein."*
9. LM is advised to disclose the changes in credit ratings of the company during the last 3 Fiscals in the offer document.





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10. LM is advised to ensure if adjectives such as "largest", "leader", "strong", "differentiated" are used, the same should be explained and substantiated. If not substantiated, these terms should not be used.
11. LM is advised to ensure that updated information is provided for the data disclosed in the RHP including under "Industry Overview" section, especially GDP projections (if mentioned). Further, LM is advised that any consequential changes as required either in the industry report or the Management discussions should be reflected as near as possible to the filing of the RHP.
12. LM is advised that details of Pre-IPO placement (if made) is disclosed in the RHP along with statement that investor was made aware of the risk that there is no guarantee that the IPO/ listing will happen.
13. 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.
14. 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.
15. 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.
16. LM is advised to ensure that relevant disclosures as to all actions / complaints / pending proceedings against the Issuer / Promoters / Promoter Group / Selling Shareholder with Other Regulatory Authorities is made in the Red Hearing Prospectus.





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17. **Monitoring of Utilisation of Funds:** With regard to monitoring of utilisation of funds, LM is advised to ensure the following

- i) 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. For the purpose of same, the following expense heads as disclosed in offer document are to be considered:
 - A. <Objects of the Offer mentioned in DRHP - Heading>
 - a. Sub-heads given under objects
 - b.
 - B. <Objects of the Offer mentioned in DRHP - Heading>
 - a. Issue Company shall in its quarterly Notes to Accounts of its Financial Statements include the employment of issue proceeds under various heads.

18. LM is advised to include a reference to the circulars CFD/DIL2/CIR/P/2018/22 dated Feb 15, 2018, CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 at all applicable sections in DRHP.

19. 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 **constituting at least 33% of the price band advertisement space.**

"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."*





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ii. Disclose 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			

iii. 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) and should be increased to match the font of BID/Offer Programme 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. Matters related to ASBA and UPI may be brought subsequent to Price Band, Risks to Investors, Bid/ Offer Programme and other offer details, and can be of smaller font. The portion pertaining to "BRLMs" shall not constitute more than 10% of the price band advertisement space

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





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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. LM is advised to provide, in case of missing secretarial records, specific disclosures in terms of nature of missing records, period to which it relate, nature of factual inaccuracies in certain resolutions etc. Further, provide the details of the steps taken by the company to retrieve such records/ documents.
7. 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





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30, 2012 respectively, LM is advised to ensure that 100% promoter holding is in demat form prior to listing.

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





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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





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*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**.*

