



ASSISTANT GENERAL MANAGER
SOUTHERN REGIONAL OFFICE

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

SEBI/SRO/AK/OW/2021/32159/1

November 11, 2021

Mr. Mukesh Garg
Vice President
IIFL Securities Limited
10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg, Lower Parel (West)
Mumbai - 400013

Sir,

Sub: Clarification sought for proposed IPO and Offer for Sale of Equity Shares of Radiant Cash Management Services Limited (The Company / Issuer)

With reference to the Draft Red Herring Prospectus (DRHP) of captioned IPO filed with SEBI, you are advised to clarify following queries / points for further processing of said document:

- A. LM is advised to examine the applicability of SEBI (Framework for Rejection of Draft Offer Documents) Order, 2012, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
- B. LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020, dated February 05, 2020, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.



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- C. LM is advised to submit whether there has been any instance of issuance of equity shares in the past by the Issuer Company, the Group Companies or entities forming part of the Promoter Group to more than 49 investors in violation of:
- a. Section 67(3) of Companies Act, 1956; or
 - b. relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
 - c. the SEBI Regulations; or
 - d. the SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.
- D. It has been observed that in various instances disclosures have been made in the offer document stating 'we believe...' LM is advised to provide the basis for making such disclosures in the offer document while also explaining compliance with Regulation 24 (1) and Regulation 25 (2) (b) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations").
- E. FORWARD LOOKING STATEMENTS (Pages 16)
1. It is noted that this DRHP contains certain "forward-looking statements". It may be noted that point (e) under Instructions of Part A of Schedule VI of ICDR Regulations, 2018, states that the offer document should not make any forward looking statements that cannot be substantiated. In view of the same, you are advised to confirm and explain compliance with aforesaid provision with respect to all such forward looking statements made in the DRHP.
- F. RISK FACTORS (Page 23-50)
2. LM is advised to ensure that the risk factors are arranged based on materiality.
 3. LM is advised to ensure that the risk factors, to the extent possible, should disclose specific as well as financial / economic impact on the Issuer Company rather than being generic.



4. It has been observed that the risk factors portray possible occurrences of certain events or situations. LM is advised that such risk factors 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.
5. Risk Factor 2 (RF-2)
 - 5.1. LM is advised to disclose any past instances of termination / modification / non-renewal of material agreements which have adversely impacted results of business operations and financials of the company.
6. Risk Factor 3 (RF-3)
 - 6.1. LM is advised to include the impact (both qualitative and quantitative) of proliferation of payment options other than cash, digital payments, etc., on the Issuer Company's business, operations, financial conditions, cash flows, etc., in the past three years. Same may also be included under the section Management's Discussion.
7. Risk Factor 4 (RF-4):
 - 7.1. LM is advised to include a table highlighting, on an yearly basis, the insurance coverage (individual sanctioned limits, if any) for the losses mentioned in RF-4, 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 Issuer Company's financials, if any.
 - 7.2. LM is advised to include instances in the past where the services had been terminated on account of reasons mentioned in the RF-4.



7.3. LM is further advised to disclose the percentage of assets covered under insurance vis-a-vis the total assets of the Issuer Company.

8. Risk Factor 5 (RF-5):

8.1. It has been observed that the expenses mentioned in the RF-5, basically form part of the operational cost of the Issuer Company. Any changes in these costs are already incorporated in the bottom line of the company. It is opined that including the same as a risk factor may not be tenable for the purpose of disclosures made for the proposed public offer.

9. Risk Factor 6 (RF-6):

9.1. With regard to the effects of Covid-19 pandemic, the issues highlighted appear to be generic in nature. LM is advised to include specific impact of Covid-19, both qualitative and quantitative, on the business, operations and financial condition of the Issuer Company. Same may be placed as part of the risk factors and / or under relevant sections of the DRHP.

10. Risk Factor 8 (RF-8)

10.1. It has been observed that the DRHP mentions the impact of demonetisation and decrease in the circulation of cash on the cash management industry. LM is advised to highlight the impact it had on the business, operations, cash flows and financial condition of the Issuer Company along with the preparedness of the Issue Company for similar measures / conditions in the future.



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11. Risk Factor 9 (RF-9):

- 11.1. LM is advised to highlight investment made or funds / resources earmarked by the Issuer Company in the past three years, towards new technologies and equipment.
- 11.2. LM is advised to include instances where the Issuer Company has been unable to use new technologies effectively or adapt its mobile applications, proprietary technologies and systems to meet customer requirements or emerging industry standards. LM is further advised to include instances where the Issuer Company's business has been materially and adversely affected, owing to its inability to adapt in a cost-effective and timely manner in response to changing market conditions or customer preferences, whether for technical, legal, financial or other reasons,.

12. Risk Factor 10 (RF-10):

- 12.1. LIM is advised to disclose past instances of technology failure, if any, and steps taken by the Issuer Company to avoid repetition.
- 12.2. LM is advised to include past instances where the Issuer Company didn't have the ability or the capacity to adapt its information system technologies, including its customer service platforms, for any new business, increase in scale of operations, changing user requirements or emerging trends and industry standards or government regulations.
- 12.3. LM is advised to include instances where the Issuer Company had experienced disruption and / or decrease in the value delivered to the customers, because of not effectively managing its information technology systems, in a timely and cost-effective manner. LM is advised to further include whether as result of the above its expenses had increased, margins decreased, and / or its cash flows and results of operations had been adversely affected.



12.4. LM is advised to highlight instances where the Issuer Company was unsuccessful in implementing or adopting new information technology systems or integrating new businesses into its information technology systems without disruptions to its operations.

12.5. LM is advised to include details of the robustness of the IT systems of the Company covering the testing of the systems for vulnerability assessment, etc., audit process and the frequency of such audits, any past instances of data security breaches, corrective actions taken, etc.

13. Risk Factor 12 (RF-12)

13.1. LM is advised to include the amount recovered (along with percentage), if any, against the amount of cash embezzled in the fiscals mentioned in the RF-12. LM is further, advised to highlight measures taken by the Issuer Company to increase the effectiveness and reliability of its internal controls and procedures including the process of hiring.

14. Risk Factor 14 (RF-14)

14.1. LM is advised to include specific instances, if any, of seasonable fluctuations, slowdown, lower volumes, etc., that has had adverse effect on the business, financial condition and results of the operations of the Issuer Company in the past three years.

15. Risk Factor 16 (RF-16)

15.1. LM is advised to include specific instances, if any, of the scenarios highlighted in the RF during the last three fiscals.

15.2. LM is advised to include whether the Issuer Company has any outsourcing policy in place to govern its procurement services. LM is further advised to disclose the effectiveness of the entire outsourcing



process, clearly delineating the controls and checks in place to handle situations highlighted in the RF.

16. Risk Factor 17 (RF-17)

16.1. LM is advised to include the ageing analysis of the receivables due from the clients in the past three years. In addition, LM is advised to include measures taken or proposed to be taken by the Issuer Company for recovering the dues from the clients along with any timelines set for the same. LM is further advised to highlight scenarios owing to which said dues may not be recovered by the Issuer Company.

16.2. LM is advised to disclose any material disruptions in past three financial years and interim period having impact on business operations and financials of the company.

17. Risk Factor 19 (RF-19)

17.1. LM is advised to include the details of whether provisioning has been done by the company for the probable liabilities, if any arising out of outstanding litigations and also the quantum of the same, where quantifiable. LM is advised to mention the amount reflected as Contingent Liabilities with respect to the outstanding litigations, if any and also to disclose contingent liabilities as a percentage of networth.

18. Risk Factor 21 (RF-21)

18.1. LM is advised to disclose the trend in the attrition rate of Key Personnel of the company over the period of past three financial years and for stub period as included in DRHP. LM is further advised to disclose the reasons for resignation of Directors (executive / non- executive/independent) and any other key managerial person, if any, in last three financial years.



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19. Risk Factor 22 (RF-22)

19.1. LM is advised to disclose the status of government approvals, license, permits and registrations, if any, and also include a cross reference with specific page numbers to other sections where the disclosures are made. In addition, if approval has a validity, the same should be mentioned. Further, LM is advised to provide the consequences of withdrawal of such licenses/approval on the operations of the Issuer Company.

20. Risk Factor 23 (RF-23)

20.1. LM is advised to confirm whether the Issuer Company has violated any of the restrictive covenants/events of default or undergone rescheduling for repayment of loans in the past three fiscal years with respect to the debt financing that the company has availed.

21. Risk Factor 29 (RF)

21.1. LM is advised to disclose that Issue / Offer expenses are shared between the selling shareholder and Issuer in proportionate manner even if the Issue does not go through and the shares do not get listed on the Stock. LM is advised to ensure that offer related expenses are deducted from the amounts received from 'Offer for Sale' and only the balance amount is paid to the selling shareholder(s). Further, the expenses in respect of the Issue/ Offer should be reimbursed to the Issuer Company jointly and severally by the Selling Shareholder(s). Same may also be placed under relevant sections of the DRHP.

21.2. LM is advised to ensure that in case of Offer for Sale, complete details of Selling Shareholders shall be disclosed including place of business, promoters/major shareholders (Significant Beneficial Owner), directors, SEBI registration, if any, if registered as a Fund/AMC, then details



regarding its managers/trustees, restrictions /prohibitions, if any, binding the Selling Shareholders to dispose of the shares of the issuer, action taken by SEBI/RBI/overseas regulator, if any along with the built-up of equity share capital/preference share capital held by the said entity in the issuer. Same may also be placed under relevant sections of the DRHP.

22. Risk Factor 31 (RF-31)

22.1. It has been observed that disclaimers have been provided in the DRHP that the Issuer Company and LM have not independently verified the information / data used in industry report. In this regard, it may be noted that Clause 24 (3) of SEBI (ICDR) Regulations, 2018, requires that the LM shall exercise due diligence and satisfy itself 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 this, LM is advised that draft offer document and the offer document, shall not contain any information where no responsibility is taken by the BRLMs or the Issuer Company/ Expert. In addition, 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. LM is further advised to include the 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.

G. OBJECTS OF THE OFFER

23. With regard to the use of own funds by the Issuer Company, LM is advised to include the amount of own fund deployed into the different verticals of the Company along with the source of such funds during the last three fiscals.



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24. LM is advised to verify the name of the vehicles (assets) (page 82) to be financed through the money raised.

H. INDUSTRY/ THIRD PARTY REPORTS

25. LM is advised that where an industry report has been commissioned by the Issuer, the relevant sections of the Offer Document where the report has been mentioned should also disclose that the industry report used has been exclusively prepared for the purpose of the Issue, and is commissioned and paid-for by the Issuer. The date of appointment of the provider of the industry report and the date of the report should be clearly disclosed. Also disclose whether the provider of the industry report is in any way related to the Issuer/ its directors/ promoters. Further, such report shall be part of material documents available for inspection.

26. In case of excerpts / information taken from any report is reproduced or referred in the offer document, LM is advised to disclose that the same has been sourced from the relevant report (name of report, name of report provider and date).

I. BUSINESS

27. LM is advised to disclose past instances of technical glitches in the mobile applications being developed or used by the Issuer Company and corrective steps taken to ensure non-recurrence of such incidents along with the impact it had on the business and operations of the Issuer Company, if any.

28. LM is advised to provide a schedule highlighting, on yearly basis, the utilisation of the fleet of vans along with the period and or cessation of the said lease.

29. It has been observed that most of the lease arrangement with regard to the disaster recovery site, office spaces, registered office, corporate office, etc., commenced from 2021. LM is advised to clarify whether the said properties were being used by the Issuer Company prior to 2021 as well.



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30. LM is advised to provide details of any individual and corporate guarantees provided by the promoters and directors in relation to loans availed by the Issuer. LM is further advised to confirm whether any instance of promoter's personal guarantees and/or company guarantees been invoked in the past three fiscal years and/or loan defaults.

J. HISTORY AND CORPORATE MATTERS

31. LM is advised to make disclosures regarding whether any of the special rights available to certain shareholders would continue post listing and if yes, the details of the same may be clearly disclosed under section "History and Certain Corporate Matters". Further, LM shall specifically disclose that any special rights, post listing shall be subject to approval of the Shareholders by way of a special resolution, in a general meeting of the Company held post listing of the Equity Shares. Also ensure that special rights which will continue post listing are not prejudicial or adverse to the interest of the minority / public shareholders.

32. LM is advised to disclose inter-se agreements/ arrangements between the shareholders, in the section titled "History and Corporate Matters".

33. Further, the LMs shall provide a confirmation that they have gone through the agreements / inter-se, if any, as disclosed in the DRHP and they also do not see any clauses / covenants which are material and which need to be disclosed, have not been disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the public shareholders / unit holders.

34. LM is advised to ensure that all pre-IPO investors/ buyers are informed that the Issue may or may not be successful and the equity shares of the Company may or may not get listed. And the fact that such information have been shared with all pre-IPO investors/ buyers should be disclosed in the Offer Document.



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35. LM is advised to disclose the details of all profit sharing arrangements involving the Issuer, promoters, promoter group, directors and shareholders, if any.
36. LM is advised to clarify special rights such as an executive MD CEO having rights to nominate another director, have any implication, in terms of Corporate Governance norms.

K. MANAGEMENT

37. LM is advised to 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.
38. LM is advised to check and disclose if the name of the directors, promoter and promoter group persons is appearing in the list of directors of struck-off companies by ROC/ MCA. In addition, please also check 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.

L. FINANCIAL INFORMATION

39. LM is advised to clarify the statement *"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, or any entity in which it or its shareholders have significant influence (collectively, the "Group") and should not be relied upon or used as a basis for any investment decision. None of the Group or any of its advisors, nor any BRLMs or the Selling Shareholders, nor any of their respective*



employees, directors, affiliates, agents or representatives 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.” (Page 184)

M. RELATED PARTY TRANSACTIONS

40. LM is advised to include the following with regard to the RPTs:

- 40.1. LM is advised to quantify the related party transactions, in brief, that the company has entered into in tabular form. In addition, LM is advised to ensure that all RPTs are done at arm's length price. LM is advised to ensure that RPT should be in compliance with the Companies Act, 2013, SEBI (LODR) Regulations, relevant Accounting Standards and other statutory compliances.
- 40.2. Confirm whether RPTs taken together for last three fiscal year is more than 10% (for all three fiscals) of the total transactions of similar nature.
- 40.3. Whether the Issuer Company's end users, especially the top 10 end users, include any Related Party and the percentage share of these transactions in the total revenue.
- 40.4. If any loan/advances given by issuer/subsidiaries to related parties and guarantees given/securities provided to related parties, mention Risk Factor on recoverability and its effect on the financials of the issuer/subsidiaries.

N. MISCELLANEOUS

41. Any risk on pricing of the issue / basis of issue price, track record of BRLMs, average cost of acquisition of shares by selling shareholders etc. which is proposed to be included in the issue advertisement may be submitted.
42. 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:



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"Risks to Investors:

- a. 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."
- b. Any adverse data/ noting 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]."
 - "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 also be disclosed. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments.

Yours Sincerely,


Anuj Kame