

## **STANDARD OPERATING PROCEDURE FOR ISSUE MANAGEMENT**

### **Client Sourcing**

We usually get clients directly through our network of professional friends/ associates who know the company / are associated with the Company. We get a brief idea about what the company does, its background, performance, etc from the person who introduces the company /promoter to us. Once we get an idea about the business of the prospective client, based on our preliminary meeting with the prospective promoter/management of company and understand the business and the requirements in a detailed manner. A review of past 5 years financial through Balance Sheet & Profit & Loss is taken. ***Additionally we will cross check the performance from Companies Bankers & have a discussion with Companies Auditors before accepting Mandate.***

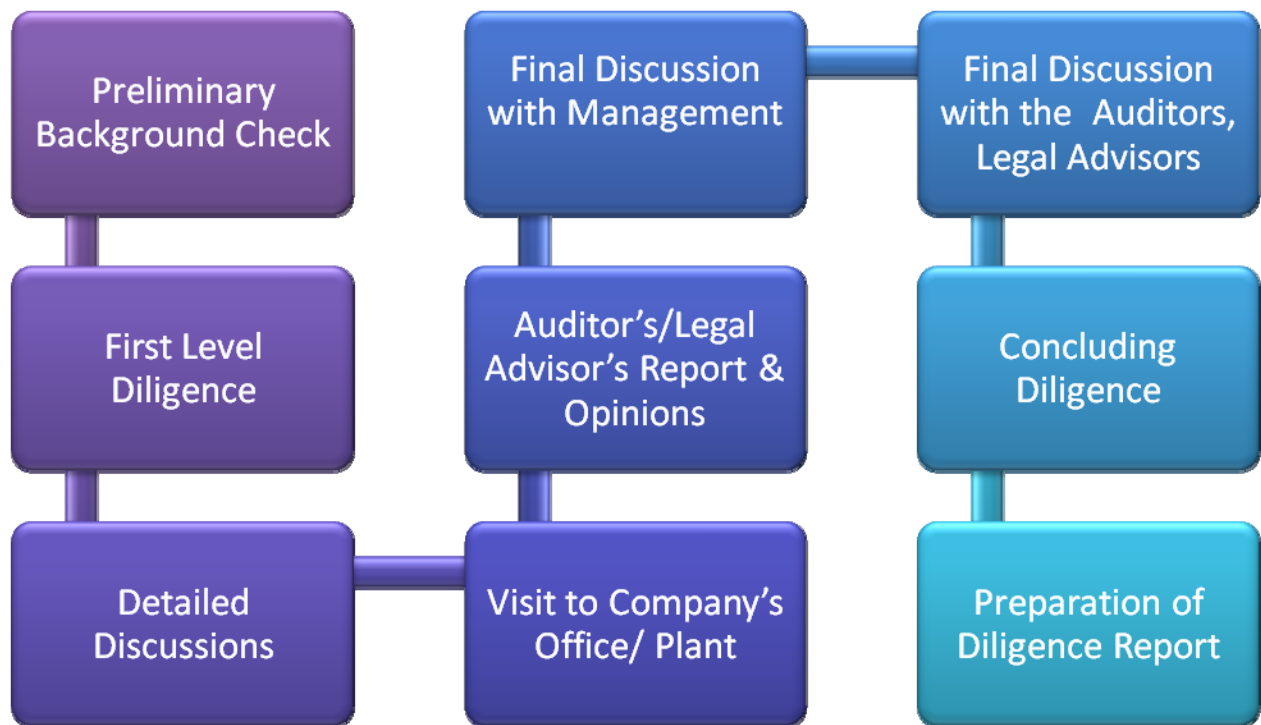
### **In house discussions**

Post the preliminary meeting with the client, we have an in- house discussion pertaining to the business of the client, strengths, promoter back ground, etc and then call for the brief profile of the Company, Client Base, Products, Promoter Background and financials for the last 5 years for analysis purposes. On receipt of these information, we carry out an indepth analysis to analyse various parameters of the Company with that of the listed peers available in the industry. Then we analyse the basic fund requirements of the company vis –a- vis the objects for which the company needs money, and also examine the eligibility of the company for coming out with an IPO. We carry out site visits/factory visit to understand more about the business carried out by the company and also to have a check on the actual infrastructure and manpower in place. On being satisfied about all the aspects and after discussions with other colleagues and senior officials in Head Office and Other Branch Offices, then we proceed ahead to sign the mandate and obtain the assignment from the client.

### **Due Diligence**

Post signing the mandate, we send across the detailed list of documents which we require for the purpose of due diligence. Once we receive those documents, we peruse the same and give our comments/ observations on them and call for additional documents as may be required. Subsequently, we have interactions with their Legal Advisors, Company Secretary / Chartered Accountant and other professionals appointed by the Company, and to discuss the issues and get clarifications on the same. We also ensure that the Promoter is peer review certified auditor

A step plan of our entire Due Diligence exercise is depicted below.



1. **Some of the key highlights of the above process are captured below as a summary:**
  - a. **Preliminary Background Check:** We conducted a preliminary background check of the Company, its existing Directors and Promoters through websites in public domain like watchoutinvestors.com, RBI list of willful defaulters and the like.
  - b. **First-level Diligence:** We submitted a check list of documents containing salient features of the Prospectus covering areas like general corporate information, Capital structure, Business overview, Management, History and corporate structure, Group companies, Legal Information, Governments as well as general approvals amongst others.
  - c. On receipt of documents from the Company as per the Due Diligence Checklist, we have examined all the documents with their supporting back up source documents and have evaluated the product/services offered by the Company, the management team and their background, technology (if any), market, competition, differentiators, financial plan amongst other areas.
2. **Detailed Discussions & Visit:** We further had follow-up meetings with the management team of the company including visits to their registered office and manufacturing plant, which enabled us to assess management and operational capabilities, business nature of the company, Corporate Governance compliances etc.

During the course of visit, we interacted with the various personnel of company and after a detailed discussion, we developed an understanding on the model of the Company.

Post visit, we made broad comparison of the company's process with the help of company write ups, published documents, annual report etc. which enabled us to carry out SWOT Analysis, and areas of risk relating to the industry as well as specific to the company.

### **3. Concluding Due Diligence:**

In this phase of Due Diligence, we consolidated the inputs received through the earlier phases and concluded our Due Diligence with carrying out inter alia the following activities:

- a) We reviewed various title papers as well as lease agreement relating to the properties like land etc. which is owned by the company and further, we discussed with the legal advisor to the Issue to determine any risk related to the properties which can affect companies' operations.
- b) We review sanction letters of lenders to understand the terms & conditions complied by the company for availing the loan and which assets are subject to charge and risk related to the debt arranged.
- c) We verify whether the Company is regular with their ROC compliances, Income Tax and compliances of other statutory authorities by reviewing ROC Challans, forms, Income Tax Acknowledgements, company's resolutions etc.
- d) We review the minutes books of AGM, EGM and Board Meetings, which helped us to know the important decisions taken by the company & inherent risk with decisions and also checked the Company's compliances with RoC.
- e) We check the registration of intermediaries proposed to be involved in the Issue in various capacities.
- f) We prepared a checklist of all the disclosures required to be made in the Prospectus as per the SEBI (ICDR) Regulations and mapped all those against the actual disclosures made in the Prospectus of this Issue.
- g) We discuss the basis for Issue Price with the Company's management and its auditors.
- h) We understood the issue objects, checked the Company's Memorandum of Association and incorporated the proposed utilization of Issue Proceeds in the Prospectus.

We examined (i) originals or where that was not possible copies, certified or otherwise, of such documents, corporate records, certificates from public officials and other instruments as we

have deemed relevant to the Issue. In such examination, we assumed the genuineness of all signatures, the authenticity of all documents and records submitted to us as originals and the conformity with the originals of all documents and records submitted to us as copies thereof.

We also carry out an indepth analysis of the balance sheet and verify that there is no window dressing of the financials and also ensure that the Accounting Standards have been complied with. We also have interactions with the auditors to find out the grounds for restatement of accounts and for compliance of Accounting Standards alongwith provisions of SEBI (ICDR) Regulations, if not complied earlier. *We also as far as possible take confirmation from major debtor and creditor in order to authenticate their positions as mentioned in financial statement to be disclosed in offer documents.*

Pertaining to the **objects of the Issue**, we call for the quotations which have been obtained by the Company and check through respective websites and public information, whether the suppliers are of good standing and also call for their profiles / clientele, as the case may be. *We also cross check the quotation provided to us with similar other suppliers and confirm that there is no major difference between the prices as quoted in the quotation provided to us and prices for that product generally quoted in the market. We also take the suppliers confirmation verbally through phone or otherwise.*

We also appoint other intermediaries like Legal Advisor, Registrar and Transfer Agent. We coordinate with the Legal Advisor for the purpose of verifying the title of the propert(ies) owned by the Company and also for the litigations by/against Company, Promoters & Directors, existing Licenses as well as licenses to be obtained for the proposed project, Income Tax, Sales Tax, Value Added Tax, Service Tax, employee related compliance like PF, ESIC, etc. *While taking certificate (s) from auditors pertaining to financial statement and Capitalization statement, we now require from them a copy of bank statement and other documents or information on the basis of which they have prepared their certificate(s). At every stage of IPO process which needs updation in the offer document, we will go through the bank statement of the company in order to let us know the status of any amount of loan taken or repaid, status of order placed towards objects of the issue and status of assets acquired or sold.*

Once we got the requisite data/ explanation/clarification from the Promoters, we decided to start the drafting of offer document as per SEBI (ICDR) Regulations 2018. In the process a review of individual chapters with the promoters is also taken up and finalized go ahead and file the Draft offer document with SEBI. For the said purpose we called for the Signed Restated Accounts and Tax Benefit Statement; from the Auditors for the purpose of inclusion of the Draft Offer Document. The risk factors were drafted based on the documents made available to us and were constantly updated. They were also arranged / prioritized as specified by SEBI (ICDR) Regulations 2018

We also restructured the Board of the Company in line with the Clause 17 of SEBI LODR Regulations as well as applicable provisions of Companies Act, for the purpose of Corporate Governance requirement.

We also obtained the Authority for the proposed issue from the Shareholders, KYC Documents of Directors, Personal Balance Sheet of Promoters, Build up Capital Structure and

identification of eligible shares and consent for 20% Lock – In of shares pursuant to SEBI (ICDR) Regulations 2018, undertakings/ confirmations/ consents from the Directors, Promoters, Key Management Personnel, Compliance Officer, Auditors, Legal Advisors, etc. We also go through the Cost of Project and verify and discuss the same with experts and also go through the technical feasibility report. Then the document was submitted for printing purpose. Post the receipt of the printed document, we got the same approved in the Board Meeting and got signed by all the Directors on the declaration page, and obtained the signature of the Managing Director on all the pages of the Draft Offer Document.

We would now insist Issuer Companies to bind their Minutes Book at every time of updating the offer document and we will take physical copies of entire minutes book of Board of Directors & General Meetings duly signed by Chairman.

On the receipt of SEBI Observation letter, we shared the same with the company and proceeded ahead to prepare the draft reply based on the clarifications/explanations given by the Directors/Company officials to us. We also called for additional documents to substantiate the reply which was being submitted to SEBI. The said documents were called by Email/ Fax as well as hard copies. We will also verify the status of loan taken or repaid, any acceptance of money by way of ICDs and verify the cost of project again in view of change in market scenario if any, before filing of final offer document with SEBI. If required we may also call for fresh quotation of plant and machinery to be part of Cost of Project.

On satisfactory reply made to all the SEBI observations, we received an approval from SEBI for clearance of DRHP. Major deviations, additions, material developments, if any were shared with SEBI, as reported by the Company management.

Subsequently, we submitted our inseriatim & suo motu changes made by us in the reply to the final SEBI approval letter for the purpose of obtaining their approval for filing the RHP with Registrar of Companies. We also submitted the clarifications/explanations which were called by SEBI for giving their clearance.

Subsequently we also appointed other intermediaries like, Escrow Collection Banks, Refund Banks, and also obtained the Grading Report from the Grading Agency for the purpose of reproduction in the offer document. We also obtained various undertakings and declarations from the Company, Directors, Promoters, Escrow collection banks and other entities, as was required.