



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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निगम वित्त विभाग / Corporation Finance Department

SEBI/CFD/RAC-DIL1/2023/26970
July 4, 2023

JM Financial Limited
7th Floor, Cnergy,
Appasaheb Marathe Marg,
Prabhadevi, Mumbai - 400 025

महोदय / महोदया,
Dear Sir/Madam,

विषय: ASK Automotive Limited के प्रारूप प्रारंभिक प्रॉस्पेक्टस के संबंध में स्पष्टीकरण

Sub: Clarifications on the DRHP of ASK Automotive Limited

हमें उपरोक्त कंपनी का प्रारूप प्रारंभिक प्रॉस्पेक्टस (डीआरएचपी) प्राप्त हुआ है, जो हमारे पास तारीख June 12, 2023 के पत्र के साथ भिजवाया गया है।

We are in receipt of Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated June 12, 2023.

इस संबंध में, कृपया संलग्नक-A के अनुसार स्पष्टीकरण प्रदान करें।

In this regard, please provide the clarifications as mentioned at Annexure A.

भवदीय / Yours faithfully,


Ashish Solankey

(संलग्नक: उपरोक्तानुसार)

(Encl: As above)



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Annexure A

Clarifications sought on the DRHP of ASK Automotive Limited

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to clarify the following points:

General Clarifications:

1. 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.

Specific Clarifications:

2. Definitions and Abbreviations

For Technical, Company / Industry related Terms or Abbreviations, along with the expanded form, suitable meaning / explanation to be provided in simple language.

All the technical or industry related terms used in the DRHP to be suitably explained.

3. Summary of the Offer Document

- Simple conversational language to be used.
- No abbreviations shall be used.

4. LM is advised to ensure that at all places, where the Industry Report has been mentioned, such report to be provided in bibliography / or as web link.

5. Face Value of the shares to be mentioned at all the relevant places in the DRHP including the cover page.

6. Risk Factors:

- a) All Risk Factors shall include explanation of the risk, the impact of the risk on the business and operations of the Company, mitigating actions taken by the Company and the material instances observed in past 3 financial years. In case, no material instances observed, the same to be categorically stated.



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- b) Provide a table summarizing the categories of the Risk Factors.
- c) **Risk Factor 4:** LM is advised to disclose the details of import of raw materials and their concentration, if any.
- d) **Risk Factor 15:** LM is advised to disclose the relevant details along with status / timelines relating to the proposed manufacturing facilities in Rajasthan and Karnataka.
- e) **Risk Factor 16:** LM is advised to disclose the details and extent of the work assigned to the contract labour.
- f) **Risk Factor 26:** LM is advised to disclose the borrowings payable on demand as a percentage of total borrowings.
- g) **Risk Factor 28:** LM is advised to disclose the steps taken to correct the discrepancies highlighted by the Statutory Auditors.
- h) **Risk Factor 29:** LM is advised to disclose whether the insurance coverage obtained is in line with the Industry practice.
- i) **Risk Factor 42 and 44:** LM is advised to redraft the Risk Factor to remove the disclosure implying that the Promoters or the Promoter Group may not act in the interest of the Company or the public shareholders.
- j) **Risk Factor 45:** LM is advised to disclose the details of personal guarantees provided by the promoters.

Additional Risk Factors

- a) LM is advised to disclose the Credit Rating of the company for the past 3 financial years.
- b) LM is advised to disclose that although the growth in EV segment is faster than the ICE vehicles, the same is on a very low base.

7. **Basis for offer price:**

The qualitative factors shall be substantiated with data / benchmarks.

8. **Our Business:**

LM is advised to remove the table provided at page no. 185 and ensure the same at all relevant places in the DRHP.

LM is advised to provide the details of the properties which are leased from the Promoters or Promoters Group.



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9. History and certain Corporate matters:

LM is advised to provide a table disclosing, in brief, the details of guarantees executed by the Promoters and its impact on the business and finances of the Company, in any manner. The same shall also be included in the Risk Factor.

10. Our Management:

LM is advised to remove the profit based variable pay structure of the Promoters.

11. Our Promoters and Promoter Group:

LM is advised to provide the details of entities forming part of the Promoter Group.

12. Articles of Association:

- a) LM to include a categorical statement that it has gone through the Articles of Association (AoA) of the Issuer Company and confirm to SEBI that no special rights are available to the Promoters / Shareholders in the AoA, at the time of filing of the offer document.
- b) LMs shall confirm to SEBI that as on the date of the offer document, the clauses / covenants of Articles of Association (AoA) of the Issuer Company are in compliance with the Companies Act and the Securities Laws, as applicable.

13. Miscellaneous:

- a) 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.
- b) 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.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."*
- i.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]."*



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- *“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.
