



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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निर्गम एवं सूचीबद्धता प्रभाग-1/Division of Issues and Listing-1
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July 28, 2023

सेबी/सीएफडी/RAC-डीआईएल1/P/OW/2023/30542/1
SEBI/HO/CFD/RAC-DIL1/P/OW/2023/30542/1

Kotak Mahindra Capital Company Limited
27 BKC, 1st Floor, Plot No. C-27,
'G' Block, Bandra Kurla Complex,
Bandra (East),
Mumbai – 400 051
Maharashtra, India

Kind Attention: Mr. Vishal Bandekar

महोदय,
Dear Sir,

विषय /Sub: Honasa Consumer Limited का प्रस्तावित आईपीओ /Proposed IPO of Honasa Consumer Limited

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] विनिमय, 2018 [सेबी (इश्यू ऑफ कैपिटल एंड डिस्कलोज़र 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 (डिस्कलोज़र) 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

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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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 (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 [पंजी 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.



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3. 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 (मर्चेन्ट बैंककार) विनियम, 1992 [सेबी (मर्चेन्ट बैंकर्स) रेग्यूलेशन्स, 1992] के अनुसार सेबी के पास पूरी तत्परता बरते जाने के संबंध में तारीख December 28, 2022 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 28, 2022, in accordance with SEBI (Merchant Bankers) Regulations, 1992.

4. 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.

5. 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.**

6. 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)



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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 शेषफीस 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 बताएं कि आपने लौटाई जाने वाली फीस की रकम की गणना कैसे की है और सेबी को किसके नाम पर चेक जारी 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 cheque may be issued 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.

स्थान /Place: मुंबई /Mumbai

Poonam

सहायक प्रबंधक
Assistant Manager



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Annexure I

OBSERVATIONS

1. Please refer to our letter/email dated Jan 18, 2023 and Feb 24, 2023, and your reply vide letters dated Feb 10, 2023, March 10, 2023, April 5, 2023, July 4, 2023, July 17, 2023 and all other correspondences exchanged.
2. In the above regard, LM is advised to ensure that the changes made pursuant to our initial clarifications and all correspondences exchanged are duly incorporated in the updated DRHP/ RHP/ Prospectus.
3. Wherever the LM has undertaken to modify the risk factors in its replies, the same shall be duly modified and incorporated in the updated DRHP/ RHP/ Prospectus.
4. Wherever the LM has mentioned "Noted for compliance" or "Complied with and noted for compliance" in its replies, LM shall ensure that the same are duly complied with.
5. With regard to disclosing details of lead manager(s) on front outside page of draft offer document and the offer document, LMs are advised that all lead manager(s) are uniformly to be identified as Book Running Lead Manager(s) (BRLMs) without making any differentiation between lead manager(s). Lead Manager(s) / BRLMs, term is as per SEBI (ICDR) Regulations, 2018. Details regarding BRLMs acting as Global Coordinators / Joint Global Coordinators may be provided at section on inter-se allocation of responsibilities in the draft offer document and the offer document.
6. LM is advised to ensure that the following details are provided in the UDRHP/RHP - Price at which specified security (including preference shares) 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.
7. LM shall ensure compliance with enhanced disclosures in the Price band advertisement as per advisory issued to AIBI vide email dated Nov 15, 2021.
8. **Summary of the Offer Document-** Simple conversational language to be used. No abbreviations shall be used.
9. **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.



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10. Risk Factors – Every Risk Factor shall be provided with a cross-reference to the detailed description of the facts/reasons in the updated DRHP / RHP, wherever applicable.
11. Sequencing of the chapters in the offer document shall be strictly in terms of the Schedule VI of SEBI (ICDR) Regulations, 2018.
12. Clause 24 (3) of SEBI (ICDR) Regulations, 2018, requires LM to exercise due diligence and satisfy himself about all aspects of the issue including the veracity and adequacy of disclosures in the offer document. In view of the same, LM is advised to ensure that:
 - i. The offer document shall not contain any information where no responsibility is taken by the BRLMs or the Issuer Company / Expert.
 - ii. The “Industry Overview” section represents a fair and true view of the comparable industry scenario and the same is neither exaggerated nor have any underlying assumptions been omitted for investors to make an informed decision.
 - iii. 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.
13. LM is advised to restate the disclaimers of industry review, in line with interaction with AIBI.
14. LM shall confirm whether there has been a change in auditor(s) before completion of the appointed term (in any of the past five fiscal years), and the reasons thereof.
15. The risk factors, to the extent possible, should disclose the specific as well as financial/economic impact on the company rather than being generic.
16. When disclosing the status of government approvals in the Risk Factors, LM is advised to include a cross reference with specific page numbers to other sections where the disclosures are made. If approval has a validity, the same shall be mentioned. Consequences of withdrawal of licenses/approval shall be provided.
17. LM is advised to make consistent usage of the term BRLM.
18. LM is advised to ensure that in the price band advertisement, there is a minimum 5% difference between the floor and cap price.



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19. LM is advised that Market Value at Issue Price to Total Turnover and P/E Ratio at issue price shall be added in Price Advertisement. LM is also advised to add a suitable risk factor in this regard.
20. LM is advised to incorporate a risk factor in top 10 disclosing that average P/E of the listed peer set is [•] while our company's P/E will be at premium of [•] times at the higher price band and [•] times at the lower price band.
21. Last allotment was done at INR 262.40 on September 13, 2022 at a P/E of [•] times. While current price band we are asking for is [•] times at a higher price band and [•] times at lower price band.
22. LM is advised to rearrange the risk factors in order of importance/ materiality.
23. Summary of the offer document: In page 24, under Summary section and other sections in DRHP, LM to disclose and explain the term "digital first BPC" and also substantiate with figures as to how the same is claimed to be "largest digital first BPC".
24. In DRHP, LM has stated that "*Honasa has a market share of 5.3% in online BPC (DTC + eTailing) for Calendar Year 2021*". LM to disclose the figures and substantiate along with statement of "largest digital first BPC".
25. LM to also disclose the breakup in the revenue as a percentage for D2C and online business.
26. LM to disclose the reasons for negative networth and negative PAT in the FY ending March 31,2021 and FY March 31,2020 in the DRHP.
27. LM is advised to confirm all necessary compliances such as RoC filings, etc. in relation to buy-back of shares by the company on Sept 22, 2022.
28. In page 29-30, where mode of acquisition of equity shares is disclosed as "Transfer", LM is advised to specify name of transferor. Further in the notes to table, LM is advised to disclose that allotment price is zero because of bonus issue/ transfer by way of gift.
29. In page 33, disclosure of range of acquisition price, LM is advised to delete lowest price as Nil and modify the heading and notes to table appropriately.
30. LM is advised to disclose updated financial and operational information at all relevant places in the Offer document.
31. LM is advised to disclose a risk factor related to acquisition price of selling shareholders vis-à-vis Offer price of equity shares.



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32. **Risk Factor 1-** LM is advised to modify the heading, "If we fail..." to be disclosed as "Failure to identify....".
33. **Risk Factor 4-** LM is advised to disclose risks associated with decrease in revenue from top 10 products due to increase in sale of products/ market share of competitors with similar products.
34. **Risk Factor 5-** LM is advised to disclose value of purchase from top three contract manufacturers in absolute terms also.
35. **Risk Factor 9-** LM is advised to modify/ delete the statement, "*celebrities or influencers (including their supporters) could engage in behaviour damaging the reputation of such influencers or celebrities*" as the same is not relevant as per heading of Risk factor.
36. **Risk Factor 10-** LM is advised to delete specific disclosures related to Nykaa in the Risk factor in case material details of arrangements with Nykaa/ other e-commerce marketplaces are not disclosed.
37. **Risk Factor 13-** LM is advised to move the Risk Factor to top 10.
38. **Risk Factor 14-** LM is advised to move the risk factor down based on materiality.
39. **Risk Factor 15-** LM is advised to move the Risk Factor to top 5. Further, a separate risk factor may be disclosed for grant of stock options at a price that may be below the Offer price.
40. **Risk Factor 18-** LM is advised to keep the risk factor in Offer document. Further, disclose amount paid by company for compounding with MCA; reasons for delay in filing annual return leading to applicability of Audit of IFC and non-establishment of required internal financial controls by the company at the time of audit.
41. **Risk Factor 21-** LM is advised to shift the Risk factor to top 10.
42. **Risk Factor 22-** LM is advised to suitably modify the heading of Risk factor and disclose how location of EBOs and leasing real estate are related and disclosed as a single risk factor.
43. **Risk Factor 24-** LM is advised to delete the Risk factor in case company does not have any approved/ firm plans (along with funds earmarked for the same) for international expansion.
44. **Risk Factor 30-** LM is advised to shift the Risk factor to top 20.



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45. **Risk Factor 57-** LM is advised to move the Risk factor to internal risk factors as part of top 20 risk factors.
46. **Risk Factor 16:** LM is advised to disclose in the heading, present market share of the company and average expenditure on marketing and promotion as a percentage of total revenue.
47. **Risk Factor 26:** LM is advised to explain the risk factor in a simplified manner and specify the risk involved in preparation of special purpose financial statements as emphasized by the auditors.
48. LM to disclose the following as risk factors under suitable heading along with data, wherever required in the DRHP:
- Competition risk:** LM is advised to disclose that there are major established players with strong brands / market presence in the beauty and personal care products and the issuer may face higher level of competition / penetration risk. LM to also disclose the risk associated with entry barrier and may subject to pricing pressures.
 - Risk of online markets:** It is noted that major portion of the revenue is generated from digital first online channel. LM is advised to disclose a separate risk factor covering the risks associated with the online markets such as logistics, discounts, availability of alternative products, online competition, customer loyalty/ retention of customers etc.
 - Price Risk:** LM is advised to also disclose the price risks involved in investment in the shares of Issuer company as a risk factor in DRHP.
 - Advertisement Expense Risk:** LM is advised to disclose the percentage growth in advertisement expense vis a vis percentage growth in revenue during the last three years in risk factor with suitable heading.
49. **Capital Structure and Lock-in-** As regards para 6 of the pre- page of the note, in page 94 under ESOP 2021, LM is advised to disclose summary of compliances with rule 12 of Companies (Share Capital and Debenture) Rules, 2014 regarding SAR to ESOP.
50. LM is 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.
51. LM is advised to ensure all valuation reports relied on by the company for accounting increase in fair value of NCCCPs are disclosed as part of material documents available for inspection.
52. LM is advised to delete details of all legal advisers other than legal advisors to the Issuer. (page 73)



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53. In page 84, it is disclosed that "For details of the terms of the NCCCPS, see *History and certain corporate matters- Shareholders' agreements and other agreements* on page 178." However, no terms of agreements related to conversion of NCCCPS is disclosed in the Offer document. LM is advised to make appropriate disclosures along with inclusion of all such agreements in material documents for inspection.
54. **Objects of Offer-** LM is advised to disclose whether Board approvals have been obtained for each object of the issue.
55. LM is advised to ensure estimated advertisement expenses disclosed in the Offer document have been certified by a chartered accountant.
56. In updated *Objects of Offer* section, page 98, LM is advised to delete the following statements-
- "We are the largest digital-first BPC..... portfolio of six brands in the BPC space."*
- "We make our products available..... and their proposition across all touch points relevant for our consumers."*
57. LM is advised to delete/ suitably modify *Objects of the Offer* related to deployment of Net proceeds for the purpose of security deposit for setting up EBOs and Bblunt salons as the same does not form part of capital expenditure (security deposit being refundable in nature and not an expenditure).
58. LM is advised to incorporate a risk factor related to non-identification of locations for setting up its EBOs and salons.
59. In page 110, disclosure of NAV per share, LM is advised to disclose data for last 3 FY.
60. In page 114, LM is advised to club all transactions done on Feb 11, 2022.
61. In page 174, it is disclosed, "*Our Company also entered into certain agreements with Bblunt and Godrej Consumer Products Limited in relation to rights associated with, and for the use of, the "Bblunt" and related brand names and intellectual property including formulations, designs, packaging, labels and the associated goodwill associated of such intellectual property.*" LM is advised to disclose material terms of all such agreements entered into by company for Bblunt or any of its other brands.
62. LM is advised to disclose brief financial highlights of all subsidiaries. Further, LM is advised to disclose weblink to standalone financials of all material subsidiaries.
63. LM is advised to provide Special purpose audited financial statements of the company for the year ended March 31, 2020 and year ended March 31, 2021 as



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part of material documents for inspection and the same shall also be disclosed on website of company, as applicable.

64. LM is advised to confirm that post-listing ESOPs shall be issued to Promoters even though they are part of management/ employees of the company.
65. In page 323, details of notices received by company is disclosed. LM to briefly incorporate the same in a suitable Risk Factor.
66. In page 101 and 103, tables disclosing estimated capital expenditures, it is disclosed that the amounts are in millions, LM to rectify the error.
67. In page 160, under the heading *Employees*, LM is advised to disclose details of agreement with contractors including tenure of agreement, material terms and conditions, expiry of agreement, etc.
68. In page 173, disclosures related to material acquisitions- *Just4Kids*, LM is advised to disclose material terms and conditions and special rights to shareholders as per shareholders' agreement dated Dec 22, 2021, agreement dated June 24, 2022, and MOU dated Oct 20, 2022.
69. In page 173, disclosures related to material acquisitions- *Fusion*, LM is advised to disclose material terms and conditions and special rights to shareholders as per shareholders' agreement dated Feb 17, 2022, agreement dated Aug 11, 2022, and agreement dated Oct 20, 2022.
70. In page 174, disclosures related to material acquisitions- *BBlunt*, LM is advised to disclose material terms and conditions and special rights to shareholders, if any, as per shareholders' agreement dated Feb 14, 2022.
71. In page 178, disclosures related to *Shareholders' agreements and other agreements*, LM is advised to disclose details of present and past Nominee Directors and Observers of various shareholders. Further, disclose details of November 2016 SHA, August 2017 SHA, August 2018 SHA, December 2019 SHA and July 2021 SHA.
72. LM is advised to obtain confirmation from company that disclosures in the Offer document related to special rights of shareholders shall not form part of any notice to shareholders for approval of special rights post listing. The same shall also be submitted to the Stock Exchanges.
73. In page 104, LM has stated that "We propose to deploy the balance Net Proceeds.....towards general corporate purposes and unidentified inorganic acquisitions subject to such utilisation not exceeding 35% of the Net Proceeds....." LM to confirm/ disclose that the purpose of utilisation of funds



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towards General corporate purposes does form part of any of the identified objects of the issue and shall be in compliance with the provisions of SEBI ICDR Regulations.

74. In page 104, LM has stated that *"we have benefited significantly from the acquisitions undertaken by us in the past....."*. LM to substantiate the same with the data on financials/ revenue generated from the past acquisitions. LM to also confirm/ disclose the valuation report of the such acquisitions as material documents for inspections.
75. In page 105, LM has stated that *"In addition to the above, our Company may utilise the Net Proceeds towards other purposes considered expedient...."* LM to remove the same from the DRHP.
76. In page 103, LM has disclosed the estimated expenditure for setting-up of one Average Salon Size salon in Financial Year 2024. LM is advised to ensure estimated costs are certified by Chartered Accountant.
77. In page 102, LM has stated that *"Locations for the new salons to be set up have not been identified as on the date of this Draft Red Herring Prospectus. These will be decided by BBlunt after conducting a detailed analysis of the demographics, foot falls, lease rentals and other business and market considerations...."*. LM to update /disclose the identification of areas and proposed number of salons to be acquired in those areas in the DRHP.
78. In page 100, LM has stated that *"As on September 30, 2022, we had 35 EBOs across 16 districts in India exclusively retailing products for our Mamaearth brand"*. LM to disclose the EBO wise revenue generated in the DRHP. LM has stated that *"We have not identified specific locations for such new EBOs as on the date of this Draft Red Herring Prospectus...."* LM to update /disclose the identification of areas and proposed number of EBOs to be opened in the DRHP.
79. In page 111, LM to disclose the ratio of Advertisement expense to sales, number of repeat customers, Number of Online purchases in the DRHP.
80. In page 114, para 3, LM to disclose the details of names of the entities who acquired the shares of the company along with details of allotment in December 2021 as mentioned therein.
81. **Basis for Offer Price:** LM is advised to ensure all disclosures in line with SEBI (ICDR) (Fourth amendment) Regulations, 2022 published on Nov 21, 2022.
82. **Basis for Offer Price:** LM is advised to provide a cross-reference to operational KPIs in the section.



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83. Legal and Other Information-

- i. LM is advised to identify and include risk factor for material litigation, if any, which may adversely affect the company.
- ii. 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.
- iii. LM is advised to ensure the disclosures of all actions taken by the statutory and regulatory authority.

84. LM shall disclose the details of the pledged shares held by the promoters/promoter group in the Issuer Company / its subsidiaries.

85. LM is advised to adhere to the following conditions:

- i. UDRHP is filed with SEBI not less than seven working days prior to submission of the draft advertisement for announcement of price band advertisement.
- ii. UDRHP shall contain necessary updated disclosures justifying the offer price under Section – “Basis for offer price”, “Risk Factors” etc., particularly emphasizing on appropriate Key Performance Indicators as applicable to the industry in which the issuer company operates in quantitative terms, (For illustration, P/E ratio in case DRHP is filed under Regulation 6 (1) of the ICDR Regulations (and /or) Market Cap / Total Revenue ratio in case DRHP is filed under Regulation 6(2) of the ICDR Regulations), with corresponding suitable explanations so as to justify the offer price.

86. 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.

87. LM is advised to specifically mention in the RHP that all special rights available to the Shareholders, will cease to exist upon listing of Equity Shares on the Stock Exchanges pursuant to the Offer, (without requiring any further action) except for rights subject to approval of the Shareholders by way of a special resolution, in a general meeting post listing of the Equity Shares.

88. LM is advised to disclose the details of all profit sharing arrangements involving the Issuer, promoters, promoter group, directors and shareholders, if any.



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89. 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.
90. LM is advised to verify and disclose if the name of any of the directors, promoter and promoter group persons is appearing in the list of directors of struck-off companies by ROC/ MCA. Also verify 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.
91. LM to disclose all the complaints received so far, if any and forwarded by SEBI for comments be under material documents available for inspection along with their respective replies.
92. 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.
93. 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.
94. 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.
95. LM is advised to include a reference to the circulars CFD/DIL2/CIR/P/2018/22 dated Feb 15, 2018 and CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 at all applicable sections in DRHP.
96. Under section "Monitoring of Utilization of funds", LM is also advised to make suitable disclosure on following points:
- The proceeds of the issue shall also be monitored by the Audit Committee till utilization of the proceeds.
 - 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.



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- 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.
 - v. Issue Company shall in its quarterly Notes to Accounts of its Financial Statements include the employment of issue proceeds under various heads.
97. In reference to pre-IPO placement undertaken by the company, LM is advised to suitably disclose risk to investors applying in IPO at a price higher than the pre-IPO price in the price band advertisement.
98. LM is advised to ensure compliance with SEBI direction to AIBI vide email dated July 4, 2023 related to disclosures pertaining to Pre-IPO placement and transaction of shares by promoters and promoter group(s) in the Public Announcement and Price Band Advertisement.
99. LM is advised to ensure that utilisation of Pre-IPO proceeds shall be completely attributed/adjusted towards GCP portion; unless auditor certified disclosures are made with regards to its utilisation towards the disclosed specific objects of the issue.
100. LM is advised to disclose offer expense to be borne by the issuer vis-à-vis Gross Fresh proceeds only (excluding expenses for OFS). LM is advised to ensure that Net offer should be calculated as Proceeds from Fresh issuance deducted by offer expense to be borne by the issuer.
101. Special Rights Available to Specific Shareholders :-
- i) LM is advised ensure that special rights as disclosed in the DRHP shall terminate before filing of UDRHP. Further, LM is advised to include a categorical statement that it has gone through AoA of the issuer company and confirm to SEBI that no special rights to the promoters/shareholders in the AoA, at the time of filing of UDRHP.
 - ii) LM is advised to ensure that Part B of the AoA of the company shall be deleted prior to the filing of UDRHP, if any. Further, as 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 any communication.
102. 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:*



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- 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.

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

104. In respect of advertisement for announcement of Price Band, LM shall ensure the following is included:

- i. Recommendation of the Committee of Independent Directors that the price band is justified vis-à-vis the last round of fund raising giving quantitative factors / KPIs.
- ii. The portion pertaining to "Risks to Investors" shall constitute at least 33% of the price band advertisement space.
- iii. LM shall ensure that all issuer companies filing offer document should provide - 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.



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- iv. The risks to investors shall include 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			

- v. The font size for price band and "Risk to investors" should be increased to match the font of BID/Offer Programme.
- vi. 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.
- vii. The portion pertaining to "BRLMs" shall not constitute more than 10% of the price band advertisement space.

105. LM shall ensure that the details with respect to Fresh Issue and Offer for Sale be separately disclosed in the Price Band advertisement and details of selling shareholders be presented in a tabular format.

106. LM shall ensure that the range of acquisition price (lowest price-highest price), as disclosed in the RHP and Price Band advertisement, should not be 'Nil' and be computed exclusive of bonus and gift.

107. LM is advised to disclose major risk factors concisely in the "Risk to investors" section of the Price Band Advertisement.

108. LM shall ensure that the details of past issues handled by BRLMs, which closed below the offer price on the listing date, to be published in the below mentioned format:

BRLMs	Total Issues	Issues closed below IPO Price on listing date
BRLM 1/ BRLM 2/ BRLM 3		
Common issues of BRLMs		
Total		



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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 cover page to be strictly in compliance with the ICDR Schedule VI- all extra texts may be avoided to ensure that the focus remains on the statutory texts mentioned in the Schedule.
4. 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.
5. 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.
6. LM is advised to ensure that exact cross-referencing of page numbers is provided in the offer document instead of general cross-referencing.
7. In terms of Regulation 7.(1)(c) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and Regulation 31.(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Issuer Company and the Lead Manger are advised to ensure compliance with the requirement pertaining to shareholding of promoter(s) and promoter group to be held in dematerialised form.
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



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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

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



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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 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**.*
