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**SEBI/HO/CFD/DIL2/OW/P/2024/17056/1**
**May 16, 2024**

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

**Kind Attention: Mr. Abhijit Vaidya/ Mr. Vishal Bandekar/ Mr. Priyankar Shetty**

Respected Sir,

**Sub: Clarification sought for proposed IPO of Premier Energies Limited**

We are in receipt of the Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated April 19, 2024.

In this regard, you are advised to comply/clarify the following points mentioned in Annexure A.

Yours faithfully,

SGupta

**Shivani Gupta**

(Encl.: As above)

## Annexure A

## Clarifications sought on the DRHP of Premier Energies Limited

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

***Specific Clarifications:***

1. **Forward-Looking Statements** :

   Page-20 – It is disclosed that this Draft Red Herring Prospectus 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 the aforesaid provision with respect to all such forward-looking statements made in the DRHP.

2. LM is advised to ensure that disclosure made with respect to Offer Price and Price Band are in compliance with Part VII of Chapter II of SEBI (ICDR) Regulations, 2018. LM is advised to refrain from making any disclosure in the offer document w.r.t. offer price which are not in line with SEBI (ICDR) Regulations, 2018. LM is advised to make necessary changes in the offer document wherever applicable. LM is advised to ensure for all future issues as well.

3. LM is advised to ensure that disclosure of financial statements shall be in compliance with applicable provisions of SEBI (ICDR) Regulations, 2018.

4. Page 111- LM is advised to ensure and disclose that the Monitoring Agency shall monitor the funds raised by the Issuer with respect to the total proceeds raised by the issuer in all applicable sections.

5. **Offer Document Summary:**

   a) **Summary of Primary business:**

      i. LM is advised to remove the term "second largest" from the offer documents and refrain from using such adjectives in any other offer document.

      ii. LM is advised to redraft the summary and state that it has all 5 units in Hyderabad and provide specific mention of types of products/services offered by the issuer, details of manufacturing units, no. of subsidiaries and ensure that the language shall remain lucid.

      iii. LM is advised to remove the content/ references sourced from sponsored industry report.

   b) **Industry in which our Company operates:** LM is advised to redraft the content to state to clearly state specify supply side measures as stated, in lucid language.

   c) **Risk Factors:** LM is advised to state title of top 10 risk factors under the sub-head: Risk Factors.

d) **Aggregate pre-Offer shareholding of Promoters, members of Promoter Group and Selling Shareholders**: LM is advised to provide more details of CCDs as stated in the footnote.

e) **Select Financial Information:** LM is advised to include "Total Income" in the table.

f) **Summary of Contingent Liabilities:** LM is advised to specify the "Group" under corporate guarantee given for the borrowings taken by the Group.

g) **Summary of Related Party Transactions:** LM is advised to include a column stating respective relationship of the related parties with the Issuer Company.

h) **Details of price at which specified securities were acquired (page 28):** LM is advised to include a column stating the entity which gifted the shares.

6. LM is advised to remove excerpts from the commissioned report from all sections except Industry Overview section. LM may provide suitable cross-referencing to exact page no. of the report. LM is also advised to remove non-relevant disclaimers of industry report from other sections.

7. <u>Risk Factors:</u>

i. **LM is advised to refer to disclaimer given on page 31 and concise it.**

ii. LM is advised to rearrange the risk factors based on materiality. With reference to Regulation 5(D) of Schedule VI of SEBI (ICDR) Regulations, 2018, LM is advised to mention proposals, if any, to address the specific risk.

iii. LM is encouraged to provide requisite quantitative information in tabular form, wherever applicable. LM may include financial ratios & relevant data in order to substantiate the risk in relevant risk factor.

iv. **LM is advised to review Top 15 Risk factors impacting the Company. The Risk factors must have quantitative information in tabulated form and specific impact on the company, its business & its financials.**

v. **LM may review that the title of the risk factor is specific (not vague) & has financial amount.**

vi. **It is noted that risk factors pertaining to objects of the issue/ supplier/customers are fragmented in the section. LM is advised to consolidate and redraft the risk factors for each stakeholder to clearly state the risk involved.**

vii. **It is also noted that the risk factors are framed in generic nature and not properly categorized into internal & external. LM is advised to verify all the risk factors, place in the right category and remove the generic content.**

viii. **It may be noted that several risk factors cites Covid-19 as an impacting factor, LM is advised to verify and consolidate the impacts of Covid -19 on the issuer company and make a specific risk factor.**

ix. **RF 22, 24, 31, 38** - LM is advised to include past instances if any in last 3 years and stub period, otherwise may provide a negative confirmation in the risk factors.

x. **RF 2**: LM is advised to state all sources of revenue in the table.

xi. **RF 4**: LM is advised to specify "other countries" in the risk factor.

xii. **RF 5**: LM is advised to elaborate more on DCR/non-DCR solar modules and state details of all order books bifurcated among all product segments.

xiii. **RF 7**: LM is advised to specify "onerous terms" and state its impact on the Issuer Company's financial and operational performance in the risk factor.

xiv. **RF 8**: LM is advised to state average price of solar cells, wafers, modules, raw material etc. charged in past 3 years.

xv. **RF 9**: LM is advised to state average duration of agreements and no. of long term agreements executed with the supplier in the risk factor.

xvi. **RF 11:** LM is advised to disclose in brief the ongoing cases against directors in the risk factor.

xvii. **RF 12:** LM is advised to specify the existing benefits from government policies in the risk factor which may cease to exist in future.

xviii. **RF 14:** LM is advised to move it under Top 25-30 risk factors.

xix. **RF 15:** LM is advised to include this in the title- "We are also subject to imposition of basic customs duty under the Customs Act, 1962 of 25% on solar cells and 40% on modules with effect from April 1, 2022." LM is advised to state details of customs duty imposed/paid in past 3 years and stub period.

xx. **RF 16:** LM is advised to move it under Top 5 risk factors.

xxi. **RF 17:** LM is advised to move it under Top 5 risk factors and state that "XX out of YY subsidiaries have incurred losses…" in the title of the risk factor.

xxii. **RF 19:** LM is advised to redraft it and provide all relevant details such as XX % of net proceeds to be utilized, schedule of deployment of funds, pending government approvals to substantiate the risks of cost and time overruns. Further, LM is advised to state in the title if the concerned subsidiary is loss making.

xxiii. **RF 20 & 21:** LM is advised to merge the risk factors and move them under top 10 risk factors.

xxiv. **RF 23:** LM is advised to disclose RPT table in the risk factor.

xxv. **RF 28:** LM is advised to disclose reasons for details of each of government tenders bid and won by the Issuer Company and move it under Top 15 risk factors.

xxvi. **RF 29:** LM is advised to elaborate more on geographical concentration and move the risk factor under top 5 risk factors.

xxvii. **RF 31:** LM is advised to specify list of all regulatory /statutory requirements in tabular form. LM is advised to remove terms such as "various"/ "certain" in the risk factors and state instances of delay/non-compliance.

xxviii. **RF 32:** LM is advised to move it under Top 10 risk factors and disclose the names of entities in concern, equity shares involved in absolute and % form, penalty imposed, relevant authority, present status and the impact of the non-compliance on the issuer company and its promoters.

xxix. **RF 33:** LM is advised to state total borrowing availed by the subsidiary, purpose, date and lender details, move it under top 15 risk factors.

xxx. **RF 34, 36, 46, 49, 51, 52:** LM is advised to move it under Top 15-20 risk factors.

xxxi. **RF 40:** LM is advised to elaborate more on acquisitions including details of past acquisitions and move the risk factor under top 25 risk factors.

xxxii. **RF 43:** LM is advised to elaborate more on emphasis of matter, due-diligence by LM and the Issuer Company on the emphasis of the matter and move the risk factor under top 10 risk factors.

xxxiii. **RF 45:** LM is advised to disclose this in object section: "In addition, one of our subsidiaries, PEGEPL.....affect our growth prospects"

xxxiv. **RF 47, 48, 55, 56, 57, 59, 64, and 65:** LM is advised to move it under Top 30 risk factors.

xxxv. **RF 66:** LM is advised to state details of selling shareholders in the risk factor and move it under top 10 risk factors.

8. **Additional Risk Factors: -**

- LM is advised to consider adding a Risk Factor on sudden change in profit, revenue from operations and total borrowings along with tabular data of past 3 years and specific reasons for such fluctuations. LM is advised to verify if any other key financial ratio has incurred more than 20% y-o-y change and provide reasons for the same in the risk factor.

- LM is advised to consider adding a Risk Factor on amount recognized as Debts along with their ageing in last 3 FYs.

- LM is advised to consider adding a Risk Factor under top 10 risk factors on revenue contribution from each of the product segments/ business verticals.

- LM is advised to consider adding a Risk Factor under top 10 risk factors on qualitative and quantitative peer comparison.

- LM is advised to consider adding a Risk Factor under top 10 risk factors on employee attrition rate in past 3 years and stub period.

9. **Management's Discussion and Analysis of Financial Condition and Results of Operations**: LM is advised to include **detailed explanation** for fluctuations in Net profit, revenue from operations and total borrowings in past 3 years. LM is advised to analyze and state the reasons for fluctuations instead of quoting the figures of Net Profit/total borrowings etc.

10. **Capital Structure:** LM is advised to disclose the name of public shareholder on page 112 & state if they are related to the Issuer company/ promoters/subsidiaries/ related entities in any manner.

11. **Objects of the Offer:**

a) LM is advised to refer page 119 (OFS) and state present shareholding of selling shareholders in the table.

b) LM is advised to elaborate more on loan sanctioned by IREDA include this under table on Page 120 and include a brief on the terms and conditions and details such as tenure, purpose, rate of interest, borrower as stated in the sanctioned letter in the section. LM is advised to include the concerned sanctioned letter under Material Contracts and Documents for inspection.

c) Page 121- LM is advised to include all funds deployed either by issuer or by concerned subsidiary in the table and bifurcate into paid/to be paid categories. LM is further advised to verify the cross-reference of page 398 and ensure that all relevant details of the sanctioned loan shall be specifically stated in the section given as reference.

d) Page 122: LM is advised to include brief about the concerned subsidiary- its, geographical presence, products/services offered, date of incorporation, shareholding, financial performance, capacity utilization, and rationale for investment in this subsidiary among 7 other subsidiaries. LM is advised to state the units in operation held by the subsidiary. LM is advised to clearly state the sources of funds and that respective % of total estimated cost to be deployed by subsidiary/Issuer company/Lender in the project.

e) LM is advised to disclose how the loan sanctioned by IREDA is scheduled to be deployed in the project and sources of funds proposed to be tapped for subsequent repayment of this loan.

f) Page 124: LM is advised to state the present status of sale agreement in relation to the acquisition of land.

g) Page 128: LM is advised to clarify whether the actual cost incurred for loan processing is made for Cell Facility/Module Faciltiy/Both. LM is advised to refer tables given on Page 128 & Page 123 (Miscellaneous) and include footnote for better explanation.

h) Page 129: LM is advised to provide date of application and status of all pending approvals required to be obtained before commencement of construction including Environmental clearance and Consent to Establish (CTE).

12. **Basis for offer price:**

i. **Page 137:** LM is advised to disclose operational metrics/KPIs in the relevant section. Further, LM is advised to conduct due-diligence, verify and confirm the size of order book of 9 months ended Dec 31, 2024 (Rs. 47058.99 million) which is approx. 4.77 times of Fiscal 2023 (Rs. 9860.46 million)

ii. **Page 140:** Comparison of KPIs with listed Industry peers: LM is advised to include more comparable peers including those cited on page 198-199 in the offer document.

iii. **Page 140:** it may be noted from the self-commissioned Industry report that the Issuer company is positioned to be largest/ second largest in the solar cell/module manufacturer, However the size of industry peer (only 1) included in the offer document is not comparable to the issuer company leading to discrepancy in the title of largest/second largest. LM is advised to conduct proper due-diligence and disclose details of the largest industry peer, as the issuer company is positioned to be second-largest. Further, LM is advised to substantiate the same using market share and other relevant financial parameters. LM is advised to remove the term- largest/second largest/ similar adjectives from the offer document and state the facts directly.

13. **Business Strategies:** LM is advised to confirm in the document if the disclosures are approved by the Board. LM is advised to ensure that all the intended strategies, intentions as disclosed shall be necessarily stated as approved by the board else a negative statement disclosure.

14. **Basis for Offer Price:** LM is advised to redraft the title of Qualitative factors by providing specific details and avoid usage of adjectives like - one of the largest/Strong/operational excellence/Well- established/Diversified/Experienced/Consistent track record etc.

15. **Our Subsidiaries:** LM is advised to provide operational and financial performance details in tabular form.

16. LMs to include a categorical statement that they have 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.

17. 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.

18. **Our Business:**

i. LM is advised to refer to disclaimer and concise it. LM is advised to provide organizational structure including all subsidiaries/units in the first page of this section.

ii. Page 204- LM is advised to define each of the product it manufactures and specify LM may shift content from Page 223 – "Our products" to introductory pages of this section.

iii. LM is advised to redraft the details of our business section in simplified language to enable the investor to understand the business of the Issuer clearly and remove the repeated extracts from "overview".

iv. LM is advised to redraft introductory section of the section- it may be noted that the section shall include details of business operations, types & usage of products, geographies catered to, suppliers, subsidiary, facilities etc. instead of providing relative position of the company.

v. LM is advised to remove statements sourced from self-sponsored report and refrain from quoting the same in this section, rather provide a cross- reference to the report at the end of this section.

vi. LM is advised to include a table: Unit-wise revenue contribution; Subsidiary-wise revenue contribution; Product-wise revenue contribution. LM is advised to clearly cite % revenue generated by subsidiaries, % revenue by the Issuer Company of total revenue.

vii. LM is advised to remove relative positioning sourced from self-commissioned report under this section and is advised to refrain for using reference of the report for information pertaining to business operations of the Issuer Company. Further, LM is advised to remove repeated content in the section.

viii. LM is advised to substantiate the statements given under "Competition" by providing qualitative and quantitative peer comparison.

ix. LM is advised to remove extraneous references from sponsored/commissioned industry report from all other places in the offer document except the "Industry Overview" section.

19. **Our Promoters And Promoter Group**: LM is advised to state details of shareholding of each of the promoter of the Issuer Company in the section itself.

20. LM is advised to insert the following Risk Factor with respect to ASM and GSM in the Offer Documents – "Pursuant to listing of the shares, the Issuer company may be subject to pre-emptive surveillance measures like Additional Surveillance Measure (ASM) and Graded Surveillance Measures (GSM) by the Stock Exchanges in order to enhance market integrity and safeguard the interest of investors.

21. LM to provide a confirmation for the issuer, its group companies, promoter group, entities where promoter is a director, associates, subsidiaries and other related entities - whether any entity has ever been involved in the act of money mobilization in any manner and whether any Regulator/ Agency has at any time sought any information in any manner, if not LM is advised to provide a negative confirmation.

22. LM to provide confirmation that Provident Fund (PF)/ESIC payment have been made and other government /statutory dues have been made on timely basis for all eligible employees of the issuer/its subsidiaries and if not, include a Risk Factor for the same in top 25 risk factors.

23. **Miscellaneous:**

a) It is noted that the Sections: Management Discussion and Our Business are replicating the same content. LM is advised to remove the repeated content, provide a cross- reference and ensure that relevant disclosures are made in the relevant section.

b) LM is advised to mention **all** the queries raised by SEBI and responded and noted for compliance by LM be **positively reflected in the UDRHP/offer documents.**

c) Pre-IPO Placement: LM is advised to ensure that the Pre- IPO activity does not breach the SEBI's ICDR Regulations at any point of time.

d) 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.

e) LM is advised to ensure compliance with the advisory issued by SEBI to all Merchant Bankers and AIBI vide mail dated July 04, 2023 with respect to disclosure of information pertaining to Pre-IPO placement and secondary transactions by promoter(s) and promoter group(s) in the Public Announcement, Price Band Advertisement and intimation to stock exchanges.

f) LM is advised to ensure that no abbreviations to be used in the abridged prospectus.

g) 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:

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] %."

c) 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.

***General Clarifications:***

**1.** 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.

**2.** LM is advised to examine the applicability of proviso to Regulation 14(4) of SEBI (ICDR) Regulations, 2018.

**3.** LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020, dated Feb 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.

**4.** LM is advised to submit whether there has been any instance of issuance of equity shares in the past by the issuer Company, its corporate promoter, 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