



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

सहायक महाप्रबंधक
Assistant General Manager
निर्गम एवं सूचीबद्धता प्रभाग-1 / RAC- Division of Issues and Listing-1
निगम वित्त विभाग / Corporation Finance Department

SEBI/CFD/RAC-DIL1/2023/19995
May 17, 2023

Choice Capital Advisors Private Limited
Sunil Patodia Tower, Plot No. 156-158,
J.B. Nagar, Andheri (East)
Mumbai - 400 099

महोदय / महोदया,
Dear Sir/Madam,

विषय: Vishnu Prakash R Punglia Limited के प्रारूप प्रारंभिक प्रॉस्पेक्टस के संबंध में स्पष्टीकरण

Sub: Clarifications on the DRHP of Vishnu Prakash R Punglia Limited

हमें उपरोक्त कंपनी का प्रारूप प्रारंभिक प्रॉस्पेक्टस (डीआरएचपी) प्राप्त हुआ है, जो हमारे पास तारीख April 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 April 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)

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



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Annexure A

Clarifications sought on the DRHP of Vishnu Prakash R Punglia 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. **Risk Factors:**

- a) All Risk Factors shall include disclosure of material instances relating to the Risk Factor and their impact on the business and operations of the Company in past 3 financial years. In case, no material instances observed, the same to be categorically stated.
- b) **Risk Factor 3:** LM is advised to modify the heading of the risk factor to clearly indicate the concentration of revenues to limited number of clients.
- c) **Risk Factor 8:** LM is advised to disclose the extent of projects that could not be completed / struck / under litigation or are inordinately delayed in past 3 financial years.
- d) **Risk Factor 9:** LM is advised to modify the heading of the risk factor to clearly indicate the concentration of revenues to the state of Rajasthan. The Risk Factor to be moved to Top 5.
- e) **Risk Factor 10:** LM is advised to disclose the order book after making necessary adjustments for the projects which are struck, under litigation or have been inordinately delayed. The data to be provided for past 3 financial years. Further the order book to sales ratio for past 3 financial years to be provided.
- f) **Risk Factor 13:** LM is advised to disclose the 'bid success ratio' of the Company for past 3 financial years.



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- g) **Risk Factor 16:** LM is advised to disclose the contingent liabilities for past 3 financial years.
- h) **Risk Factor 17:** LM is advised to redraft the Risk Factor *w.r.t.* BRLM's declaration.
- i) **Risk Factor 19:** LM is advised to disclose Top 5 cost items of the company for past 3 financial years.
- j) **Risk Factor 20:** LM is advised to disclose the share of revenues which was classified as doubtful or could not be collected in past 3 financial years.
- k) **Risk Factor 22:** LM is advised to disclose attrition rate of employees in past 3 financial years. Further the matter relating to vehicles to be merged with Risk Factor 27.
- l) **Risk Factor 24:** LM is advised to disclose attrition rate of senior management personnel.
- m) **Risk Factor 25:** LM is advised to elaborate the purpose of unsecured loan and provide the details for past 3 financial years.
- n) **Risk Factor 28:** LM is advised to disclose the 'insurance coverage ratio' of the Company for past 3 financial years.
- o) **Risk Factor 29:** LM is advised to elaborate the irregularities identified by the Company and the steps taken to ensure compliance.
- p) **Risk Factor 36:** LM is advised to remove the Risk Factor.
- q) **Risk Factor 42 and 51:** LM is advised to redraft the Risk Factor to remove the statements implying that the promoter or the promoter group may not act in the interest of the Company or the public shareholders.
- r) **Risk Factor 50:** LM is advised to remove the Risk Factor.
- s) **Risk Factor 53:** LM is advised to disclose the Credit Rating of the company for past 3 financial years.

Additional Risk Factors

- a) There is no customer continuity in the business and the Company is required to submit bids for each project on competitive basis.
- b) Concentration of business in Government entities or agencies and the risk associated with the same.
- c) Positioning of the Company in terms of its size / operations in the state.
- d) Low barriers to entry for the companies in the construction sector.



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- e) Extant of business conducted “in-house” vis-à-vis through “sub-contracting” and its impact on the business and operations of the company.
- f) Extent of business concentration in any specific business segment. Segment wise distribution of revenues for past 3 financial years to be disclosed.
- g) Free operating cash flow to debt ratio for past 3 financial years.
- h) Revenue recognition method adopted by the Company and its basic parameters to be disclosed.
- i) Extent of working capital facilities used by the Company and the available (sanctioned) working capital limit, which can be used by the Company for growth.
- j) LM is advised to disclose the details of all the guarantees extended by the promoters

3. Objects of the Offer:

- a) As ‘funding of working capital’ is already one of the objects, the issuer shall not include any utilisation of GCP portion towards items of revenue expenditure such as advertisement / promotions, employee salary, organic growth etc. The utilisation of GCP shall only be towards capital expenditures, including inorganic growth.
- b) LM is advised to provide the detailed basis for estimation of working capital requirements, which shall be in line with the trends observed, in the past.

4. Basis for offer price:

- a) The qualitative factors shall be substantiated with data / benchmarks.

5. 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:*



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- *“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.
