



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

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SEBI/HO/CFD/RAC-DIL1/P/OW/2024/23006/1

**July 12, 2024**

**Corpwis Advisors Private Limited**  
510, 5<sup>th</sup> Floor, Dilkap Chambers,  
Plot A/7, Veera Desai Road,  
Andheri West, Mumbai-400053

Kind attention: Mr Nikunj Kanodia

Dear Sir,

**Sub: Clarifications on the DRHP of Garuda Construction and Engineering Limited**

We are in receipt of Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated May 24, 2024.

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

Yours faithfully,

Dhruba Jyoti Das  
**Manager**

(Encl: As above)

## Annexure A

With reference to the Draft Red Herring Prospectus of Garuda Construction and Engineering Limited (Issuer Company) filed with SEBI, you are advised to clarify on the following issues:

1. Lead Manager (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 SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020, dated Feb 05, 2020, to the DRHP of the 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 the aforesaid order.
3. 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 / 200 investors as the case may be in violation of:
  - a) Section 67(3) of Companies Act, 1956; or
  - b) relevant section(s) of the 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.
4. It has been observed that in various instances disclosures have been made in the offer document stating 'we believe...' / 'we do not believe...', LM is advised to provide the basis for making such disclosures in the offer document while also explaining compliance with Regulation 24 (1) and Regulation 25 (2) (b) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations").
5. LM is advised to provide the response containing all necessary changes to be carried out in the relevant RF/sections of DRHP, instead of comments such as "noted/will be updated in UDRHP".
6. **Standard Disclosure for Special Rights in DRHP**
  - a) LM is advised that it is categorically disclosed in the DRHP under section "History and Certain Corporate Matters" of the offer document that none of the special rights available to the Promoters / Shareholders (except for nominee/nomination rights and information rights) would survive post listing of the Equity Shares of the Company and same shall cease to exist or shall expire/waived off immediately before or on the date shares are allotted to public shareholders in IPO, without requiring any further action.
  - b) LM is advised to make disclosures if special rights for nominee/nomination rights and information rights are available to certain Promoters / Shareholders that would continue post-listing and if yes, then details of the same may be clearly disclosed under the section "History and Certain Corporate Matters".
  - c) Further, LM shall specifically disclose that special rights, post listing shall be subject to the approval of the Shareholders by way of a special resolution, in the first general meeting of the Company held post-listing of the Equity Shares.

- d) LM is advised to ensure that special rights that will continue post-listing are not prejudicial or adverse to the interest of the minority / public shareholders.
7. LM is advised to evaluate the impact of the SEBI Share Based Employee Benefits and Sweat Equity Regulations, 2021 ("SBEB Regulations") and accordingly, to modify the ESOP Schemes to comply with the provisions of the SEBI SBEB Regulations 2021, prior to filing of the RHP.

#### **Summary of Offer Document**

8. LM is advised to disclose the percentage of segment-wise revenue earned from the company's different business verticals in the section 'Primary business of our Company'.
9. LM is advised to re-phrase the section 'Industry in which our Company operates'. LM is advised to disclose the CAGR growth of the construction industry for the last 5 years and also disclose the projected growth of the industry in next 6 years.
10. With respect to selling shareholders, LM is advised to provide a table consisting of names of the selling shareholders and their respective details such as no. shares offered, pre & post-shareholding %, etc.
11. LM is advised to disclose the PAT and EBITDA margin of the company in selected Restated Consolidated Financial Information.

#### **Risk Factors (RFs):**

12. LM is advised to rearrange the risk factors based on materiality. LM is advised to provide adequate and correct cross-referencing, wherever required.
13. LM is advised that all the risk factors containing any data have a proper cross reference to the actual section/page where the specific and detailed explanation is given (where more than one section/page). Further, LM is advised that data provided in % to be followed with the actual/absolute figures. Data shall be for the last 3 financial years and the stub period. Due reason to be provided if there is no cross reference being provided.
14. LM is advised to add a separate RF in the top 10 explaining all the possible risks arising from the cyclical nature of the industry in which the company operates.
15. RF 1: LM is advised to disclose clearly in the heading of the RF that 100% of the company's revenue comes from ten clients only. Also disclose the name of all clients, their share of revenue and nature of construction work for the last three financial years in a table.
16. RF 2: LM is advised to shift the RF from top 5. Further, LM is advised to disclose the reasons for every case why such statutory dues are pending till date.
17. RF 3: LM is advised to shift the RF from top 3. Further, LM is advised to properly disclose the reasons for negative financial and investing cash flow since last three financial years.
18. RF 4: LM is advised to shift the RF from top 5. LM is advised to provide brief details of criminal proceedings against the promoters/directors and the company.
19. RF 5: LM is advised to shift the RF from top 5
20. RF 6:
- a) LM is advised to move the RF to the top 3.

- b) LM is advised to disclose clearly in the heading of the RF that that the company's revenue predominantly dependent on Group Companies and Promoter-associated construction with the percentage of revenue.
  - c) LM is advised to provide details of revenue earned from its group/associated companies and other unrelated entities in a table for the last three financial years and the stub period. Also, disclose the same for the order book.
21. RF 8: LM is advised to disclose material related party transactions with the Promoter, Promoter Group Companies, and Group Companies along with their nature of the transaction and reasons for same.
22. RF 10: LM is advised to disclose all instances where contracts awarded to the company are prematurely terminated along with the reasons in the last three financial years and the stub period.
23. RF 12:
- a) LM is advised to disclose previous order books in a table along with their realized revenue for the last three financial years.
  - b) LM is advised to disclose the details of the order book along with relevant details in a table.
24. RF 18 and 19: LM is advised to disclose any material past instances relating to the Risk Factor, having an adverse impact on the business and operations of the Company in the last three fiscal years.
25. RF 20: LM is advised to disclose all instances where statutory clearance has been delayed.
26. RF 24: LM is advised to disclose the list of documents which have been misplaced or untraceable. Further, LM is advised to write to MCA regarding the non-traceable records as disclosed in the DRHP and the said letter to be included in the document for material inspection.
27. RF 26: LM is advised to disclose the seasonal fluctuations of the construction industry with the relevant historical chart. Changes in the value of the Infrastructure index, government spending on infrastructure etc. in the last 10 years may be included in the historical chart.
28. RF 27: LM is advised to disclose the names of major competitors along with their strengths and key financials in a table. Further, LM is advised to move the instant RF to the top 15.
29. RF 28, 29 and 30: LM is advised to disclose any material past instances relating to the Risk Factor, having an adverse impact on the business and operations of the Company in the last three fiscal years.
30. RF 32: LM is advised to disclose the name of seven parties to whom the company provided advances along with relevant details in a table. Also, disclose reasons for non-availability of documents pertaining to such loans.
31. RF 33: LM is advised to write to MCA regarding not having proof of payment of stamp duty on issuance/allotment of securities:
32. RF 46 and 47: LM is advised to disclose any material past instances relating to the Risk Factor, having an adverse impact on the business and operations of the Company in the last three fiscal years.

33. RF 48: LM is advised to clarify and disclose whether guidelines issued by BMC time to time have been adhered by the company.
34. LM is advised to disclose the following with respect to Related Party Transactions (RPTs):
- Confirm whether all RPTs are done on arm's length basis;
  - Whether a transfer pricing audit has been conducted for RPTs;
  - Confirm whether RPTs taken together for the last three fiscal years is more than 10% (for all 3 FYs) of the total transactions of a similar nature;
  - If any loan/advances given by issuer/subsidiaries to related parties and guarantees given/securities provided to related parties, mention Risk Factor on recoverability/ any default in the past and its effect on the financials of the issuer/subsidiaries.

**General Information:**

35. LM is advised to ensure the utilisation and monitoring of the issue proceeds to be precise and any changes shall be in terms of law and as per the revised framework. Further, LM is advised to provide an undertaking that monitoring of utilization will be based on gross proceeds instead of net proceeds.

**Capital Structure:**

36. LM is advised to confirm that there have been no instances of issuance of equity shares in the past by the Company to more than 49 persons / 200 persons, as applicable, in violation of Section 67(3) of the erstwhile Companies Act, 1956 as applicable and relevant sections of the Companies Act, 2013, including Section 42 and the rules notified thereunder.
37. Page 121: It is observed that there has been sale of shares by PKH in the last three years. LM is advised to disclose the details of sale of shares by promoters.

**Object of the Offer:**

38. LM is advised to provide details of inorganic acquisition.
39. LM is advised to provide details of 'trade receivables' along with necessary evidence as of November 30, 2023.
40. LM is advised to provide details of 'other current assets' along with necessary evidence as of November 30, 2023.
41. LM is advised to provide details of 'Advance from customers' and 'Other current liabilities and provisions' along with necessary evidence as of November 30, 2023.
42. LM is advised to provide proper justification as to why it is projected that there will be an increase of trade receivables from FY2024 to FY 2025. Also provide the same for Trade payables.
43. LM is advised to disclose that the selling shareholders are required to reimburse the expenses incurred, irrespective of listing.

**Basis for offer price:**

44. With respect to qualitative factors, LM is advised to provide/disclose brief notes about them explaining the justification for such qualities.
45. In addition to the existing disclosures stipulated for 'Basis for Offer Price', LM is advised to clarify that the Issuer Company complies with the norms stipulated in the SEBI, ICDR Regulations 2018, last amended on November 21, 2022.

46. LM is advised to confirm that all the KPIs and other material information for the company that has been shared with the company's investors in the last three financial years are disclosed to the DRHP.

**Industry Overview:**

47. LM is advised to confirm that while disclosing the "excerpts" of the industry report in the DRHP, no parts, information, or data that are material and relevant for the issuer company/investors are left out or changed in any manner.
48. LM is advised to ensure that the agency responsible for preparing the Industry Report shall ensure and confirm that all possible challenges, weaknesses and threats of the Industry/sector associated with the concerned company including specific segments or the products within the Industry/sector shall be properly analysed and disclosed in the industry report.
49. LM is advised to ensure and confirm that all the challenges weaknesses and threats as stated in the Industry Report shall be disclosed as Risk Factors in the DRHP.

**Our business:**

50. LM is advised to disclose the data regarding Order Book and Revenue Break-Up in a table.
51. LM is advised to provide all the CA/auditor and engineer certificates (including certificates issued by any relevant authority) regarding completed, ongoing and upcoming projects
52. Page 164: LM is advised to provide/disclose a statutory auditor certificate confirming the date of the order book along with the amount. LM to disclose the dates of letters of the order.

**Key Regulations and Policies in India**

53. LM is advised to provide details of action taken by relevant authorities/courts on safety/ environmental / consumer protection, etc. related matters during the past 3 years, shall be disclosed. Appropriate risk factors should be incorporated.

**History and Certain Corporate Matters**

54. LM is advised that under the section "History and Certain Corporate Matters" of the offer document, it is specifically disclosed that all special rights available to the Shareholders / Investors, shall cease to exist or expire /waived immediately before or on the date shares are allotted to public shareholders, without requiring any further action.
55. LM is advised to make disclosures regarding whether any of the special rights available to certain shareholders would continue post-listing and if yes, the details of the same may be clearly disclosed under the section "History and Certain Corporate Matters". Further, LM shall specifically disclose that any special rights, post listing shall be subject to the approval of the Shareholders by way of a special resolution, in a general meeting of the Company held post-listing of the Equity Shares.
56. LM is advised to ensure that special rights that will continue post-listing are not prejudicial or adverse to the interest of the minority / public shareholders.
57. Further, a categorical statement from the Issuer Company/ promoter/ shareholders, may be provided that there are no other agreements and clauses/covenants which are material and which need to be disclosed and that there are no other clauses/covenants which are adverse/prejudicial to the interest of the public shareholders. Also, there are no other

agreements, deeds of assignments, acquisition agreements, SHA, inter-se agreements, or agreements of like nature other than those disclosed in the DRHP.

58. Further, the LMs also to confirm to SEBI that they have gone through the agreements / inter-se, if any, as disclosed in the DRHP and they also do not see any clauses/covenants that are material and that need to be disclosed, have not been disclosed and that there are no other clauses/covenants which are adverse/prejudicial to the interest of the public shareholders/unit holders.

#### **Our Management**

59. LM is advised to check and disclose if the name of the directors, promoter, and promoter group persons appear in the list of directors of struck-off companies by ROC/ MCA. Please also check and disclose if the names of the promoter group companies and group companies appear in the list of struck-off companies by ROC/ MCA.

#### **Promoter and Promoter Group:**

60. LM is advised to disclose the BO details of Ayesspea Holdings and Investments Private Limited, Deepa Travel Private Limited, Aroma Coffees Private Limited, Garuda Aviation Services Private Limited, Yashvikram Infrastructure Private Limited, Yashvikram Infrastructure Private Limited, Seashell Venture Private Limited, PKSS Infrastructure Private Limited and Sevenhills Buildcon Private Limited.

#### **Outstanding Litigation and material developments**

61. 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.
62. LM is advised to confirm that the existing litigations are not so major that the issuer's survival is dependent on the outcome of the pending litigation.
63. LM is advised to ensure the disclosures of all actions taken by statutory and regulatory authorities
64. LM should also provide the amount of disputes and shall ensure that appropriate provisions for contingent liabilities have been made in financials. Further, appropriate risk factors should be provided.
65. LM is advised to ensure that the disclosure of details of all the criminal matters, if any, initiated by or against the company, group, directors, promoters, or subsidiaries, which are at the FIR stage and no/cognizance has been taken by the court. LM is also advised to specifically disclose the litigation liabilities.
66. Page 303-304: LM is advised to ensure that appropriate Risk Factors have been disclosed in the DRHP with regard to the litigation involving Prakash Soma Trilokar vs. P. K. Hospitality Private Limited and ORS, and Asset Reconstruction Company (India) Limited vs. Punjab National Bank and ORS.
67. LM is advised to confirm the status of payment statutory dues as on dates.

#### **Miscellaneous:**

68. With regard to the employees of the Issuer company, LM is advised to disclose whether the statutory dues to the Government and provident fund for all full-time employees have been paid and the number of the employees for whom the statutory dues and provident fund are paid. LM

shall disclose the total PF being paid for the number of employees and whether the same is paid as per statutory law/obligation and the amount paid. Such details and bifurcation shall be disclosed for various dues such as PF, ESIC, GST, TDS, other statutory contributions etc shall be given in the document and whether the obligation has been duly discharged in terms of the applicable laws.

69. LM is advised to disclose any non-compliance by foreign entities with respect to RBI, FEMA, or FDI norms, if any.
70. LM is advised to update the status of the application for the pending trademark/registration of the Issuer Company.
71. LM 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.
72. LM is advised to confirm Regulation 8(A) of SEBI ICDR, 2018 with regard to offer for sale by selling shareholders.
73. Mention corresponding figures in value (to the extent possible), wherever percentage figures are mentioned.
74. Reference to any place in the Offer Document should be followed by the name of the relevant city/ state, as the case may be.
75. 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.
76. All lead manager(s) are uniformly to be identified as Book Running Lead Manager(s) (BRLMs) without making any differentiation between lead manager(s). 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.
77. Offer document, shall not contain any information where no responsibility is taken by the BRLMs or the Issuer Company/ Expert. The Issuer Company / BRLMs shall ensure that the "Industry Overview" section represents a fair and true view of the comparable industry scenario and the same is neither exaggerated nor any underlying assumptions have been omitted for investors to make an informed decision.
78. Industry report be included in the list of material documents for inspection and also provide a link in the offer document for online access to the industry report.
79. LM / Issuer should endeavor to provide access to all material documents for inspection through online means apart from inspection at the registered office.
80. LM to confirm whether there has been a change in auditor(s) before the completion of the appointed term (in any of the past five fiscal years), and the reasons thereof.
81. Disclose any past instances of termination/modification / non-renewal of material agreements that have adversely impacted the results of business operations and financials of the company.
82. LM to ensure that all the cross references given in the offer document are correct, leading to the exact page, instead of referring to the beginning of the section.



83. LM shall ensure compliance with all SEBI directions given to the Association of Investment Bankers of India (AIBI).

**Price Advertisement**

84. LM is advised to ensure the following disclosures in the Issue advertisement for the announcement of the 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 the listing date."
- b) Any adverse data/ noting in the basis for the 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] %."

The data on the above disclosures shall be updated and disclosed prominently (in the same font size as the price band) in advertisements of the Price Band and all further advertisements, the website of the company and the stock exchange. Further, any adverse ratio/data in basis for the issue price should also be disclosed. LM shall submit the draft advertisement for the announcement of Price Band with SEBI before its publication in the newspapers for our comments.

Price band advertisement:

- a. The portion pertaining to "Risks to Investors" shall constitute at least 33% of the price band advertisement space.
- b. 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:

<i>Period</i>	<i>Weighted Average Cost of Acquisition (in Rs.)</i>	<i>Cap Price is 'X' times the Weighted Average Cost of Acquisition</i>	<i>Range of acquisition price: Lowest Price - Highest Price (in Rs.)</i>
<i>Last 1 year</i>			
<i>Last 3 years</i>			

- c. The font size for price band and "Risk to investors" should be increased to match the font of BID/Offer Programme.
- d. 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.

- e. The portion pertaining to "BRLMs" shall not constitute more than 10% of the price band advertisement space.
- f. Mention market Value at Issue Price to Total Turnover and P.E. Ratio at issue price.