



Assistant Manager
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Division of Issues and Listing-II
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भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SEBI/HO/CFD/DIL2/P/OW/2022/07243/1
February 23, 2022

Axis Capital Limited
1st Floor, Axis House,
C-2 Wadia International Center,
Pandurang Budhkar Marg,
Worli, Mumbai - 400 025

Kind Attention: Mr. Pavan Naik

Dear Sir,

Sub: Proposed IPO of Elin Electronics Limited (the Company / Issuer)

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 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. 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 you file the final offer document with ROC / Stock Exchange. **NO FURTHER CHANGES SHOULD BE EFFECTED WITHOUT SPECIFIC WRITTEN CONSENT OF SEBI.**
2. 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,

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.बी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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2018. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

3. 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 June 12, 2021, in accordance with SEBI (Merchant Bankers) Regulations, 1992.
4. 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. 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. 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) 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.

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.

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 favor, the cheque may be issued by SEBI.

7. The proposed issue can open for subscription within a period of 12 months from the date of issuance of this observation letter.

PLACE: MUMBAI

Adesh Singhal



Annexure I

OBSERVATIONS

1. Please refer to our letters dated December 7, 2021 and January 03, 2022 and email dated February 04, 2022 and February 23, 2022 and your letters dated December 15, 2021 and January 11, 2022 and subsequent communications.
2. With regard to above, LM is advised to ensure that the changes made pursuant to our clarifications are duly incorporated in the updated DRHP and RHP.
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.
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. 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.
6. Risk Factor 1 :- LM is advised to disclose Revenue from Top 5 Customers. Also, details provided in first two paragraphs should be presented in form of line graphs. (Top 10 customer revenue and largest customer revenue)
7. Risk Factor 2 :- LM is advised to mention the impact of COVID-19 on operations and financials of the company in point form (detailed points).
8. Risk Factor 6 :- LM is advised to disclose attrition rate and bifurcation of employees on the basis of nature of employment.
9. Risk Factor 23 :- LM is advised to mention the reason of delay in obtaining consent from SBI in the offer.
10. Risk Factor 29 :- LM is advised to disclose the reason for increase in Trade Receivables. Further, LM is advised to disclose the same in Management Discussion and Analysis Section of the offer document.
11. Risk Factor 13 :- LM is advised to include details regarding cost of raw materials along with any past instance of shortage of raw material and its financial impact.
12. Risk Factor 43 :- LM is advised to move this risk factor to Top 20 Risk Factor.

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13. Risk Factor 49 :- LM is advised to move this Risk Factor to Top 10. Also LM is advised to provide amount and details of Related Party Transactions.
14. LM is advised to add a separate risk factor to reflect low profitability ratios (and high value to sales ratio under Top 3 Risk Factors.
15. Financial Statements :- LM is advised to add words “ As adjusted” for the Restated Consolidated Financial statements of the FY 2019 and FY 2020 and explain the same as footnote on every page of Restated consolidated financials. (The same explanation can be used as provided in the LM's reply dated January 11, 2022.)
16. LM is advised to ensure the compliance of The Companies Act, 2013 in terms of shares held by Elin Appliance Private Limited in Elin Electronics Limited.
17. LM may be advised that Competitor's data in Industry report to be modified to reflect unlisted competitors details as well.
18. 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.
19. LM is advised that Basis of Offer Price section needs to be modified to the effect that Dixon and Amber segmental revenue (segments in which Elin Electronics Limited) also operates) should be presented.
20. Basis of Offer Price Section :-

i) LM is advised to disclose the below :-

Particulars	Elin Electronics Limited	Dixon Technologies Limited	Amber Enterprises Limited
Revenue from Lightning Products as compared to Total Consolidated Revenue	XXX	XXX	XXX
Revenue from Fractional Horse Motor Power as compared to Total Consolidated Revenue	XXX	XXX	XXX



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Revenue			
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ii) LM is advised to disclose EV/EBITDA and EV/Net sales on the lines of Price Earning Ratio disclosure in this section.

21. As regards the fact that there are no other nominee directors, KMPs or other persons etc., appointed by any of the shareholders, LM is advised to specifically mention in the RHP that right shall terminate upon the listing of the Equity Shares on the Stock Exchanges.
22. LM is advised to ensure that at all places, where the Industry Report has been mentioned, such report to be provided in bibliography / or as weblink. The Report to be included as a material document.
23. LM shall also ensure that all the complaints received so far, if any and forwarded by SEBI for its comments be made part of the material documents for inspection.
24. LM is advised to ensure that relevant disclosures as to all actions/complaints/pending litigations with other Regulatory Authorities are made in the RHP.
25. During the interim period of issuance of observation and listing, for 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, disclosures 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.
26. LM is advised to ensure that the disclosure of details of all the criminal matters initiated by or against the company, group, directors, promoters, subsidiaries which are at FIR stage and no/some cognizance has been taken by court is incorporated in the Red Hearing Prospectus along with appropriate risk factors in this regard.
27. 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.
28. 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. 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.

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

30. 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.

31. LM is advised to disclose the below in the Price Band Advertisement :-

- EV/EBITDA based on the Cap – Floor Prices.
- Top 5 Customers Revenue

32. LM is advised to ensure compliance with the below email advisory sent to AIBI through email dated November 13 and November 15, 2021 :-

- 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.*
- The portion pertaining to “Risks to Investors” shall constitute at least 33% of the price band advertisement space.*
- 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	Cap Price is 'X' times the Weighted Average	Range of acquisition price: Lowest Price -
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	(in Rs.)	Cost of Acquisition	Highest Price (in Rs.)
Last 1 year			
Last 3 years			

- d. The font size for price band and "Risk to investors" should be increased to match the font of BID/Offer Programme.
- e. 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.
- f. The portion pertaining to "BRLMs" shall not constitute more than 10% of the price band advertisement space.
33. Further, 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.
 - Issuer Company shall provide details / information / certifications obtained from statutory auditors on the utilization of the Net Proceeds to the Monitoring Agency.
 - 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.
 - Issuer Company shall in its quarterly Notes to Accounts of its Financial Statements include the employment of issue proceeds under various expense heads.
34. LM is advised to ensure the utilization and monitoring of the issue proceeds to be precise and any changes shall be in terms of law and as per the revised framework.
35. LM is advised to disclose that there shall not be any variation in deployment of funds even if there is a delay in receipt of the mandatory approvals.
36. LM is advised to ensure that the usage of funds is as disclosed in the Objects of the Issue and any spill over from the intended Objects of the issue to the GCP is not carried out by the issuer.
37. LM is advised to prominently disclose on top of the page that the deployment of funds have not been appraised by any bank, or financial institution.



Annexure II

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 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.
3. LM is advised to ensure that the 'Observation Letter' issued by SEBI is included among the material contracts and documents for inspection.
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 SEBI Circulars No. SEBI/CIR/ISD/03/2011, No. SEBI/CIR/ISD/05/2011 and SEBI/CIR/ISD/01/2012 dated June 17, 2011, September 30, 2011 and March 30, 2012 respectively, LM is advised to ensure that 100% promoter holding is in demat form prior to listing.
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 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:



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- 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



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.”



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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**.*
