



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

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SEBI/HO/CFD/RAC-DIL2/P/OW/2023/38530/1  
September 15, 2023

**IIFL Securities Limited**  
10<sup>th</sup> Floor, IIFL Centre, Kamala City  
Senapati Bapat Marg  
Lower Parel (W), Mumbai 400 013

**Kind Attention: Mr. Mukesh Garg**

Dear Sir(s),

**Sub: Clarification sought for proposed IPO of JNK India Limited**

We are in receipt of Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated August 22, 2023.

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

You are requested to submit your response within 5 working days of the receipt of this letter.

Yours faithfully,

**Adesh Singhal**  
(Encl.: As above)



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Annexure A

Clarifications sought on the DRHP of JNK India 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:

**A. Definitions and Abbreviations:**

1. LM is advised to ensure that all abbreviations used in the offer document should be described in "Definition and Abbreviations" section.
2. LM is advised to define Abbreviations used in "Technical/Industry Relate Terms" section, wherever possible. Kindly note that merely writing the full form of Abbreviations does not define the terms used in the offer document.

**B. Forward-Looking Statements:**

Page No. 18 – 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 to Schedule VI of the ICDR Regulations, 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 aforesaid provision with respect to all such forward looking statements made in the DRHP.

**C. Summary of the Offer Document:**

**1. Summary of Business :-**

- i. LM is advised to disclose the position of the company in terms of leading Heating Equipment companies in India.
- ii. LM is advised to provide the names of the listed competitors of the company.

**2. Auditor Qualifications :-**

- i. LM is advised to disclose if there are any Audit Qualification which have been given effect to in the Restated Financial Information.

**3. Risk Factors :-**

- i. LM is advised to include Top 10 Risk factor based on Operations of the company, credit exposure, risk related to object of the offer, etc in the below format :

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S. No.	Risk Category (Operational, Financial, Risk related to object of the offer, etc.)	Description of Risk (limited to 30 words)

4. Summary of Related Party Transactions :-

- i. LM is advised to re-draft the table using relevant percentages vis a vis nature of transaction. For instance, remuneration should be presented in both absolute terms and percentage terms (percentage as to total Employee Cost).
- ii. LM is advised to explain the nature of professional fees being provided to various related party entities.

**D. Risk Factors:**

1. It is observed that some risk factors are very general and repetitive. Further, data provided in some Risk Factors are not pertinent to them. LM is advised to avoid repetition to the possible extent. Also, LM is advised to ensure that relevant and related data should be provided to assess the specific risk, being disclosed, in the offer document.
2. 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.
3. With respect to all External Risk Factors, LM is advised to ensure that the same is factually correct and no irrelevant information should be disclosed.
4. LM is advised to ensure that any description of risk or description of the possibility of occurrence of an event/ situation shall necessary follow with a statement of detailed disclosure on past occurrences. If not, LM is advised to provide a categorical statement of disclosure on non-occurrence of such events, wherever applicable. Further, LM is advised to disclose the impact on operations and financials of the company if any such instance occurred during last 3 FYs.
5. LM is advised to rearrange the risk factors based on materiality.
6. LM is advised that all the Risk Factors containing any data to have a proper cross reference to the actual section / page where the specific and detailed explanation is given (where required more than one section / page). Data shall be for last 3 financial years and stub period. Due reason to be provided if there is no cross reference being provided.
7. In all the risk factors, wherever either only percentages or the absolute values are mentioned, LM shall ensure to disclose both the absolute values and percentages adequately.

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8. LM is advised to mention proposals, if any, to address the specific risk(s) taking into consideration the requirement specified in Clause 5(D) of Schedule VI to ICDR Regulations.
9. LM is advised to follow the consistency in the offer document while disclosing last 3 year's number

Particulars	Stub Period	FY 2023	FY 2022	FY 2021
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10. LM is advised to simplify the language of the risk factors and to avoid repetition. It is observed that many risk factors are described in length and includes repetitive disclosures. LM is advised to reduce the length of those risk factors and merge the risk factors, wherever possible.

**E. Capital Structure:**

1. LM is advised to provide Build up of shareholding for all selling shareholders including individual selling shareholders.

**F. Basis for Offer Price:**

1. LM is advised to provide list of all operational KPIs related with the operations of the company.
2. LM is advised to ensure and to disclose the fact that all financial and operational KPIs is certified by member of ICAI or ICMAI, in compliance with SEBI (ICDR) (Fourth Amendment) Regulations, 2022 and name of the firm or member certifying this information should also be disclosed.

**G. Our Industry:**

1. LM is advised to disclose if Frost & Sullivan (India) Private Limited which had prepared the report is in any way related to the issuer company/directors/promoters. Further LM is advised to ensure that reports by Frost & Sullivan (India) Private Limited relied upon while making disclosures in the draft offer document is included among the material contracts and documents for inspection. Furthermore, wherever (each instance) data from various reports have been used in support of disclosures made in the offer document, LM is advised to clearly qualify the source of such disclosures.

**H. History and Certain Corporate Matters:**

1. LM is advised to disclose if any penalty is levied by Ministry of Corporate Affairs or RoC for any non-compliance under The Companies Act 2013.

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2. 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 section "History and Certain Corporate Matters". Further, LM shall specifically disclose that any special rights, post listing shall be subject to approval of the Shareholders by way of a special resolution, in a general meeting of the Company held post listing of the Equity Shares.
3. LM is advised to ensure that special rights which will continue post listing are not prejudicial or adverse to the interest of the minority / public shareholders.
4. LM is advised to disclose that there are not any covenants in any agreements, which may be pre-judicial to or adverse to the interest of the public shareholders.
5. LM is advised to elaborate the various rights granted under the terms of the Shareholders Agreement (SHA) entered between company and shareholders or between shareholders themselves.
6. LM is advised that inter-se agreements/ arrangements between the shareholders are disclosed under section "History and Certain Corporate Matters".
7. LM is advised that a categorical statement from the Issuer Company/ Promoters / Shareholders, may be provided that there are no other inter-se agreements/ arrangements and clauses / covenants which are material and which needs to be disclosed and that there are no other clauses / covenants which are adverse / prejudicial to the interest of the minority / public shareholders. Also that there are no other agreements, deed of assignments, acquisition agreements, SHA, inter-se agreements, agreements of like nature other than disclosed in the offer document.
8. Further, the LMs shall also confirm to SEBI that they have gone through the inter-se agreements/ arrangements, if any, as disclosed in the offer document and they also do not see any clauses / covenants which are material and need to be disclosed, which have not been disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the minority / public shareholders.

**I. Our Management:**

1. LM is advised to ensure that details of the Directors in the section titled "Management" clearly depicts if any director is a nominee. If so, LM shall also disclose the details on the shareholders nominating them. Similarly, such details to be disclosed for the KMPs as well.
2. LM is advised to confirm that except as disclosed in this DRHP, there are no other nominee directors, KMPs or other persons etc, appointed on behalf any of the shareholders or any other person.

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3. LM is also advised to disclose a risk factor that majority of the board members does not have a prior experience of directorship in any of the companies listed on recognized stock exchange.

**J. Related Party Transactions :-**

1. LM is advised to confirm: (i) all RPT are done at arm's length price and (ii) all RPT should be in compliance with the Companies Act, 2013, SEBI (LODR) Regulations, relevant Accounting Standards and other statutory compliances.
2. LM is advised to disclose whether any loan is granted to or taken from the RPs along with the terms and conditions of such loan. In case of any aberrations in this respect, the same may be duly informed in the RHP.

**K. Financial Indebtedness:**

1. LM is advised to provide cross referencing to the Risk factors with respect to the indebtedness as a part of disclosure.
2. LM is advised to disclose the outstanding amount / default in making payment obligation for the last 3 years.
3. LM is advised to disclose:
  - i. Name of the lenders
  - ii. Any restrictive covenants entered into with the lenders
  - iii. Instance of past default
  - iv. Whether all the loans are secured or unsecured
  - v. Whether any approval required from the lenders for the proposed IPO.
4. LM is advised to disclose if consent from all the lenders, in writing, has been obtained for the proposal of IPO.

**L. Outstanding Litigation and Material Developments:**

1. LM is advised to provide full details of pending lawsuits against the Company and its subsidiaries and associates, promoters/promoter group, directors and LM is advised to quantify the financial impact of the same, wherever possible.
2. LM shall update the details of status of litigation with the latest/updated position of litigations against promoter/promoter group entities/company and the companies promoted by the issuer and impact of the same on the business of the Company in case of adverse outcome.
3. 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 litigations.

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4. LM is advised to ensure the disclosures of all actions taken by statutory and regulatory authorities.
5. LM is advised to disclose brief details of all matters above materiality threshold.

**M. Government and Other Approvals :-**

1. LM is advised to disclose impact of any pending approval from Government and other authorities on financials and operations of the company. Quantify the impact of non-approval wherever possible.

**N. Other Regulatory and Statutory Disclosures:**

1. LM is advised to confirm and disclose in the offer document that the issuer or any of its promoters or directors are not declared as 'Fraudulent Borrower' by the lending banks or financial institution or consortium, in terms of RBI master circular dated July 01, 2016 and relevant circular.
2. Page no. 332: LM is advised to delete "including our Company's website <https://jnkindia.com/>" under the head Disclaimer from our Company, the Directors, the Selling Shareholders and the BRLMs.

**O. Miscellaneous:**

1. LM is advised to make changes to all relevant sections of the offer documents corresponding to any changes made in a particular section of the offer documents.
2. LM is advised to ensure that Face Value of Shares should be mentioned at all places where no. of shares are mentioned in the offer document.
3. Draft offer document and the 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.
4. Sequencing of the chapters in the offer document shall be strictly in terms of the Schedule VI of SEBI (ICDR) Regulations, 2018.
5. LM is advised to ensure that offer documents are made in lucid and economical language with limited usage of abbreviations. Abbreviations, if any, shall be used only with prior and appropriate disclosure of the corresponding term in the same page/heading. Any expressions, Jargons or nomenclatures from other languages or not commonly used, if any, shall be properly explained at each and every mention of the

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- same. Also, LM is advised to ensure that acronym used in the headings of risk factors or any other information is accompanied by its full form.
6. LM is advised to ensure that terms which are widely used across the industry should be mentioned in the offer document. Further, LM is advised to remove any definition or information from the offer document which are not common across the industry.
  7. LM is advised that reference to name of any place mentioned in the offer document may be followed by name of City / State, as the case may be.
  8. LM is advised to ensure that financial disclosures for the stub period and comparative periods, if any, shall be made on account of audited, restated and consolidated financials only.
  9. LM is advised to ensure correctness while disclosing the information in DRHP.
  10. LM is advised to disclose at all relevant sections of the offer document that the offer related expenses to be shared by the selling shareholders even if company fails to open its issue during the period of validity of SEBI's observations.
  11. LM is advised to disclose name of Independent Chartered Accountant along with its FRN at all the relevant sections/ relevant footnotes in the offer document.
  12. LM is advised to ensure that there are no conflict of interest with the suppliers of raw materials and third party service providers, crucial for operations of the company, between the Promoter, Promoter Group, Key Managerial Personnel, Director and Group Companies and its directors.
  13. **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.
  14. LM is advised to ensure that a direct link is provided in the offer document which will provide access to the financial statements of the company and its subsidiaries. Further, LM is advised to ensure that all audited financial statements are available on the website of the issuer company.

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15. LM is advised to disclose a brief description of bodies corporates, partnership firms forming part of the promoter group and group companies, if any.
16. LM is advised to ensure that superlative adjectives as and where, in the draft red herring prospectus, used are quantified and qualified. For instance, “fastest growing room air conditioner original design manufacturers” should be supported by data and numbers.
17. 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.
18. With regard to the “Fees payable to the other advisors to the Offer”, LM is advised to disclose the services offered by such advisors and consequent responsibilities, if any.
19. It has been observed that in various instances disclosures have been made in the offer document stating 'we 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").
20. It is noted that financial unit like lakhs, crores, million and billion are used at different places of the DRHP. In this context, LM is advised to ensure compliance with point (g) under Instructions of Part A to Schedule VI of the ICDR Regulations which states that for currency of presentation, only one standard financial unit shall be used.
21. LM is also advised to ensure that the Issuer meets eligibility conditions, as prescribed in the SEBI ICDR Regulations for making the offer, at the time of filing the RHP. In case, there are any deviation, LM shall take necessary action.
22. LM is advised to examine the applicability of SEBI (Framework for Rejection of Draft Offer Documents) Order, 2012 to the DRHP 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.
23. LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020 or its predecessor order to the DRHP and confirm whether the said general order is applicable to instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
24. LM is advised to ensure that the following paragraph (including content of similar nature) from any/all section(s) of DRHP is removed:

*“None of our Company, the Directors, or the Book Running Lead Managers shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware*

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*system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank(s) on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism."*

25. 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:
- i. Section 67(3) of Companies Act, 1956; or
  - ii. relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
  - iii. the SEBI Regulations; or
  - iv. the SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.

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