



भारतीय प्रतिभूति
और विनियम 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-DIL1/2023/26255
June 28, 2023

Unistone Capital Private Limited
A/ 305, Dynasty Business Park,
Andheri-Kurla Road, Andheri East,
Mumbai - 400 059

महोदय / महोदया,
Dear Sir/Madam,

विषय: Valiant Laboratories Limited के प्रारूप प्रारंभिक प्रॉस्पेक्टस के संबंध में स्पष्टीकरण

Sub: Clarifications on the DRHP of Valiant Laboratories Limited

हमें उपरोक्त कंपनी का प्रारूप प्रारंभिक प्रॉस्पेक्टस (डीआरएचपी) प्राप्त हुआ है, जो हमारे पास तारीख June 5, 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 June 5, 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)



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Annexure A

Clarifications sought on the DRHP of Valiant Laboratories 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. At “Definitions and Abbreviations”

For Technical, Company / Industry related Terms or Abbreviations, along with the expanded form, suitable meaning / explanation to be provided in simple language.

All the technical or industry related terms used in the DRHP to be suitably explained.

3. At “Summary of the Offer Document”

- Simple conversational language to be used.
- No abbreviations shall be used.

4. 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 web link.

5. Face Value of the shares to be mentioned at all the relevant places in the DRHP including the cover page and the Capital Structure.

6. Risk Factors:

- a) All Risk Factors shall include explanation of the risk, the impact of the risk on the business and operations of the Company, mitigating actions taken by the Company and the material instances observed in past 3 financial years. In case, no material instances observed, the same to be categorically stated.



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- b) **Risk Factor 1:** LM is advised to explain TÜV NORD CERT GmbH certifications.
- c) **Risk Factor 2:** LM is advised to modify the heading of the Risk Factor to clearly indicate the concentration *w.r.t.* purchase of raw materials from a few suppliers.
- d) **Risk Factor 4:** LM is advised to make this Risk Factor as number 1.
- e) **Risk Factor 6:** LM is advised to modify the heading of the risk factor to clearly indicate that the Company operates only one manufacturing facility. Make the Risk Factor as number 2.
- f) **Risk Factor 7:** LM is advised to disclose the revenue from Top 5 customers and Top 10 customers in a tabular format.
- g) **Risk Factor 10:** LM is advised to modify the heading of the Risk Factor to indicate that majority of the issue proceeds will be invested in the subsidiary, which is yet to start its operations and all the estimates are based on assumptions only. Move the Risk Factor to Top 5.
- h) **Risk Factor 30:** LM is advised to redraft the Risk Factor.
- i) **Risk Factor 32:** LM is advised to move the Risk Factor to Top 10.
- j) **Risk Factor 33:** LM is advised to disclose the corrective actions taken by the Company.
- k) **Risk Factor 39:** LM is advised to redraft the Risk Factor.
- l) **Risk Factor 44:** LM is advised to disclose the details and extent of the work assigned to the contract labour.
- m) **Risk Factor 45:** LM is advised to merge the Risk Factor with Risk Factor 30.
- n) **Risk Factor 48:** LM is advised to incorporate relevant details to substantiate the risk.
- o) **Risk Factor 49:** LM is advised to delete the Risk Factor.
- p) **Risk Factor 50:** 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.

Additional Risk Factors

- a) LM is advised to disclose the Credit Rating of the company for the past 3 financial years.

7. Objects of the Offer:

- a) LM is advised to disclose the details regarding the ownership of the land acquired for the proposed facility.



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- b) 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.
- c) 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 Companies operating in the same line of business. Such estimation shall *inter-alia* be linked to revenues and the installed capacity.
- d) LM is advised to disclose the actual mode of investment into VASPL before filing the RHP.
- e) LM is advised to disclose the material terms of the term loan sanctioned by HSBC.

8. Basis for offer price:

- a) The qualitative factors shall be substantiated with data / benchmarks.
- b) LM is advised to remove the following operational KPIs.
 - Top 3 Customers
 - Top 5 Customers

9. History and Certain Corporate Matters

- 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 section "History and Certain Corporate Matters".
- c) Further, LM shall specifically disclose that special rights, post listing shall be subject to 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 which will continue post listing are not prejudicial or adverse to the interest of the minority / public shareholders.



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10. Our Management:

LM is advised to remove the profit based commission structure of the Executive Directors.

11. Articles of Association:

- a) LM to include a categorical statement that it has 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.
- b) 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.

12. 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:*
 - *"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] %."*



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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.
