



Assistant General Manager  
Western Regional Office

भारतीय प्रतिभूति  
और विनिमय बोर्ड  
**Securities and Exchange  
Board of India**

SEBI/WRO/OW/HB/494/1/2020  
March 06, 2020

**Vivro Financial Services Private Limited**  
Vivro House, 11 Shashi Colony,  
Opp Suvidha Shopping Center, Paldi,  
Ahmedabad – 380007,  
Gujarat, India

Kind Attention: Mr. Bhargav Parekh, Executive – Capital Market

Dear Sir,

**Sub: Proposed Rights Issue of Arvind Fashions Limited**

1. 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.
2. As 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.**
3. 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, 2018. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.



पश्चिमी प्रादेशिक कार्यालय : सेबी भवन, पंचवटी पहली गली, गुलबाई टेकरा रोड, अहमदाबाद - 380 006. दूरभाष: (079) 26583633-35 फेक्स: 26583632 ई-मेल: sebiwro@sebi.gov.in  
Western Regional Office : SEBI Bhavan, Panchvati 1st Lane, Gulbai Tekra Road, Ahmedabad - 380 006. Ph.: (079) 26583633-35 Fax: 26583632 E-mail: sebiwro@sebi.gov.in

प्रधान कार्यालय : सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051. दूरभाष: (022) 26449000 फेक्स: 26449019 to 26449022 वेब : www.sebi.gov.in ई-मेल: sebi@sebi.gov.in  
Head Office : SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. Ph.: (022) 26449000 Fax: 26449019 to 26449022 Web : www.sebi.gov.in E-mail : sebi@sebi.gov.in



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4. 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 December 17, 2019 in accordance with SEBI (Merchant Bankers) Regulations, 1992.
5. 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.
6. 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.**
7. The LMs are advised to ensure that a detailed calculation of filing fees in relation to the captioned issue in terms of regulation 71(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 favour, the cheque may be issued by SEBI.

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

**HARISHKUMAR BANKER**

**PLACE : AHMEDABAD**

Encl. : As above



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Annexure I

**Issue Specific Observations**

1. Please refer to our email dated January 09, 2020 and February 14, 2020 and your letter dated January 21, 2020, February 07, 2020 and February 18, 2020 and all other subsequent correspondences and ensure compliance and are suitably incorporated in the offer document.
2. LM is advised to incorporate a risk factor disclosing the basis for issue price of Issuer Company and track record of past issues handled by each book running lead manager.
3. LM is advised to include in the Risk Factors reasons for variability in the profit after tax amount of the last three years.
4. LM is advised to include a risk factor to elaborate on the risk associated with the negative EPS and/or NAV in the preceding fiscal years of group companies with respect to the issuers company. Further details on the qualified opinion of auditors, if any, may also be explicitly provided.
5. LM is advised to ensure compliance in terms of the Chapter II - Principles Governing Disclosures and Obligations of Listed Entity 4(2)(c) and 31(A) of LODR Regulations, with respect to the shareholder's agreement, of the issuer company, if any.
6. LM is advised to ensure compliance with SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020 with respect to Streamlining the Process of Rights Issue.

**Section I – General**

Summary of Draft Letter of Offer

7. LM is advised to clearly specify in the heading of the summary of financial information whether the statements prepared and presented are on consolidated or Standalone basis as replied vide letter dated February 18, 2020. LM to ensure the same at all places in the offer document wherever reference is made.

**Section II – Risk Factors**

8. LM shall ensure that risk factors are rearranged based on materiality.
9. Risk Factor 2: - LM is advised to specify the average tenure of agreements with brand owners. Further, if there have been any instances of disagreement or the agreement not renewed, the details thereof, and the repercussions of the same on the issuer company.





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10. Risk Factor 3:- LM is advised to include details of the top 5 franchisees and confirm if any disagreement/non-renewal of agreements with such franchises and its financial implication on the Issuer Company, as submitted vide letter dated February 18, 2020. LM is also advised to disclose details of all such transactions with franchisees which fall under the category of related parties during the last 3 financial years.
11. Risk Factor 7:- LM is advised to disclose the reasoning, for non-compliance with the Reg. 18(1) of SEBI (LODR) Regulations and selection of statutory auditors not holding valid peer review certificate as prescribed by ICAI, suitably, as submitted vide letter dated February 18, 2020.
12. Risk Factor 8 and 15:- The RF on distribution channels, network and logistic providers appears similar in nature, LM is advised to merge or put together the RF's suitably.
13. Risk Factor 9:- LM is advised to disclose all details of non-compliance or delayed compliances along with reasoning for non-compliances, as submitted vide letter dated February 18, 2020.
14. Risk Factor 11:- LM is advised to include details of the brands owned/self-created and purchased through agreements etc. by the issuer company on standalone basis and through its subsidiaries. LM is advised to advance this risk factor in the top 5 RFs.
15. Risk Factor 12:- LM is advised to place this factor in top 10 Risk Factors.
16. Risk Factor 13:- This RF appears to be general in nature, LM is advised to place the same along with other general risk factors.
17. Risk Factor 14:- LM is advised to confirm any instance of shortcoming in inventory or product offering and its financial repercussion on the issuer company during last 3 financial years.
18. Risk Factor 19: LM is advised to disclose instances, if any, where issuer company was unable to identify the right channel of distribution and its adverse impact/effect on the business/ financial implications on the issuer company during the last 3 financial years.
19. Risk Factor 23:- LM is advised to specify, if any, instances of requisite approvals, licenses, registrations not received by the issuer company along with reasons in the past 3 financial years and the financial implications on the issuer company regarding the same.
20. Risk Factor 24: - LM is advised to mention the capital commitments made to the subsidiaries and details of the company's investments written down or written off in tabular format for the past 3 financial years.
21. Risk Factor 26: LM is advised to specify instances of delays and/or defaults in payments from distributors, franchisees operating the EBOs, MBOs, LFSs or online





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retailers and its repercussions on the working capital investment and/or profits and on the operation and financial condition of the issuer company, for past 3 financial years.

22. Risk Factor 27:- LM is advised to disclose details regarding the names of senior management and key personnel and the area of their expertise and the significant contribution made by them.
23. Risk Factor 28 & 29:- LM is advised to advance these risk factors in top 15.
24. Risk Factor 31:- LM is advised to include details of all the borrowings of the company and its subsidiaries as submitted vide letter dated February 18, 2020. Further LM may include the purpose of availing the loan.
25. Risk Factor 33:- LM is advised to provide details of insurance cover as submitted vide letter dated February 18, 2020 and also breakup of the insured assets (property wise). Further, LM is advised to specify any past instances of inadequacy of insurance cover was and its impact on operations, financials of the issue company during the last 3 financial years.
26. Further the RF 19 and 26 appears to be similar therefore LM is advised to put these RFs together.
27. Risk Factor 36:- LM is advised to include the details regarding the attrition rate and trend for the past 3 years and also breakup of contract as well as permanent employees, as submitted vide letter dated February 18, 2020
28. Risk Factor 38:- LM is advised to include details of the trademarks of the issuer company and subsidiaries expiring in the next 3 financial year and likely financial implications on the Issuer Company for the same. LM is advised to advance this RF to top 15.
29. Risk Factor 42:- LM is advised to mention the average and weighted average issue price of all such share issued in past 12 months.
30. Risk Factor 43:- LM is advised to disclose the details of interests other than remuneration, shareholding, ESOPs and loans of Directors and Key Management Personnel. Further, LM is advised to provide cross reference to the disclosures regarding the details regarding remuneration, shareholding and loans of Directors and Key Management Personnel made in the draft letter of offer.
31. Risk Factor 44:- LM is advised to mention any instance of borrowings recalled by the lenders or unable to repay unsecured borrowings or refinancing and its repercussions for the past 3 financial years.
32. Risk Factor 45: - LM is advised to include any instances of business disruption due to labour unrest, strike, etc. if any, during the last 3 years and the financial implications thereof on the Issuer Company.





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**Section IV – About our company**

Our Business

33. LM is advised to include details on the listing history of the issuer company and details purpose of scheme of arrangement vide order dated October 26, 2018, as submitted vide letter dated February 18, 2020.

History and Certain Corporate Matters

34. LM is advised to include a brief financial information on its subsidiaries and JVs in tabular form similar to promoter group companies, as submitted vide letter dated February 18, 2020.

Our Promoters and Promoter Group

35. LM may ensure that details of guardians of the minors named as promoters of the company is disclosed, as submitted vide letter dated February 18, 2020.

Basis for issue price

36. LM is advised to comply with the following:

- a. Ensure that there is consistency in comparison of financial ratios of the issuer company vis-à-vis its peer group, i.e., either the ratios of standalone basis of the issuer company shall be compared with the ratios on standalone basis of its peer group or the ratios on consolidated basis of the issuer company shall be compared with the ratios on consolidated basis of its peer group. While disclosing such comparison in the offer document, it should be clearly stated that all the financial ratios (of the issuer company as well as its peer group) are either on standalone basis or on consolidated basis.
- b. Ensure that there is consistency in the basis / methodology of computation of financial ratios for the issuer company and its peer group. It may be noted that the financial information relating to companies in the peer group may be extracted from the regulatory filings made by such companies to compute the financial ratios for the purpose of disclosure in the offer documents.

Group companies

37. LM is advised to include a suitable RF to disclose auditors qualifications with respect to the group companies.





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1. LM is advised to ensure that prior to filing of LoF 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 the 'Observation Letter' issued by SEBI is included among the material contracts and documents for inspection.
3. 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.
4. 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 83 and Schedule IX of SEBI (ICDR) Regulations, 2018.
5. LM is advised to ensure that exact cross-referencing of page numbers is provided in the offer document instead of general cross-referencing.
6. 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.
7. LM is advised to ensure that SCORES authentication is taken by the issuer company prior to listing.
8. In pursuance of Regulation 71 Sub-Regulation 7(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.
9. **ASBA:**
  - 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 centres 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





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controlling branch of SCSBs for sending to designated branches other than those located in mandatory collection centre.

- 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 .**

Simple, Safe, Smart way of Application !!!

**Mandatory in public issue from January 01, 2016**

**No cheque will be accepted**

*\*Application supported by blocked amount (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.\**

- b. The following paragraph on ASBA may be inserted in the advertisement/Communications:

*"APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (ASBA): Investors have to apply through the ASBA process. ASBA has to be availed by all the investors except anchor investors.*

*For details on the ASBA 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 Letter of Offer."*







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ASBA bid-cum application forms can also be downloaded from the websites of Bombay Stock Exchange and National Stock Exchange. ASBA form can be obtained from the list of banks that is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in).

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