



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

**ASSISTANT GENERAL MANAGER
SEBI-SOUTHERN REGIONAL OFFICE**

**SEBI/SRO/SG/JP/OW/IP/2022/27490/1
July 05, 2022**

Edelweiss Financial Services Ltd
6th Floor, Edelweiss House
Off C.S.T Road, Kalina
Mumbai 400 098

Dear Sir/Madam,

Sub: Proposed IPO of DCX Systems 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 Managers (LMs), you shall ensure that all changes are effected based on the observations / conditions contained in the Annexures 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, 2018. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

दक्षिणी प्रादेशिक कार्यालय : 'ओवरसीज टॉवर्स' सातवीं मंजिल, 756-एल, अन्ना सालै, चेन्नई - 600 002

Southern Regional Office : Overseas Towers, 7th Floor, 756-L, Anna Salai, Chennai - 600 002. Phone : 044 - 2852 8888, 2888 0222 Fax : 044 - 2888 0333 e-mail : sebisro@sebi.gov.in

सेबी भवन, प्लॉट सं. सी4-ए, 'जी' ब्लॉक, बांद्रा - कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. "SEBI BHAVAN", Plot No.C4-A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.



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 their responsibility adequately in this behalf and towards this purpose, the LMs have furnished to SEBI a Due Diligence Certificate dated January 10, 2022, 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 favour, 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: CHENNAI


A. JOE PRADEEP





OBSERVATIONS

1. Please refer to our letter/email dated April 29, 2022 and your letter/email dated May 20, 2022 and all other correspondences exchanged. LM is advised to ensure compliance with the undertakings given vide letter dated May 20, 2022.
2. LM is advised to provide in RHP the 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.
3. LM is advised to adhere to the following conditions:
 - i) UDRHP is filed with SEBI not less than seven working days prior to submission of the draft advertisement for announcement of price band advertisement.
 - ii) UDRHP shall contain necessary updated disclosures justifying the offer price under Section – “Basis for offer price”, “Risk Factors” etc., particularly emphasising on appropriate Key Performance Indicators as applicable to the industry in which the issuer company operates in quantitative terms, (For illustration, P/E ratio in case DRHP is filed under Regulation 6 (1) of the ICDR Regulations (and /or) Market Cap / Total Revenue ratio in case DRHP is filed under Regulation 6 (2) of the ICDR Regulations), with corresponding suitable explanations so as to justify the offer price”.
4. LMs are advised to use simple conversational language and avoid using Abbreviations under the 'summary of offer document'
5. Under 'Definitions and Abbreviations', LMs are advised to provide suitable meaning/explanation in addition to the expanded form for technical/company/industry related terms/abbreviations
6. LMs are advised to incorporate disclosures with respect to funds blocked towards margin/lien/cash collateral for bank guarantees given to lenders of the company/statutory authorities.





7. Observation on Risk Factors:

- i) Risk Factor 9: LM is advised to advance the RF 9 in top 5
- ii) LMs shall modify the risk factor 1 as per the undertakings given vide letter dated May 20, 2022, to include the details on % contribution of revenue from top 3 customers and modify the risk factor as per the undertakings given.
- iii) LMs shall insert a separate risk factor on the notice of proposed debarment received from Defense Logistics Agency, USA.
- iv) Under risk factor 27, LMs shall disclose the related party transactions in tabular form under the risk factor
- v) Under risk factor 57, LMs shall delete the following statement as per the undertakings given by the LMs vide letter dated May 20, 2022:
“The report is a paid report and is subject to various limitations and based upon certain assumptions that are subjective in nature. In addition, statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Draft Red Herring Prospectus.”
- vi) As per the undertakings given by LMs vide their letter dated May 20, 2022, LMs shall advance the risk factor 50 to top 15 risk factors.

8. Industry Report:

- i) With respect to disclosures based on the industry report, LMs are advised that 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. As per the undertakings given by the LMs vide their letter dated May 20, 2022, LMs shall modify the acronym for the industry report by inserting the words ‘company commissioned’ before the acronym used and make necessary changes in the RHP wherever the acronym is used.

9. Capital Structure: LMs shall update the “Capital Structure” section of the RHP and Prospectus, by classifying the transfers made to employees, advisors, consultants, Directors and others as per the undertakings given vide letter dated May 20, 2022.

10. LMs shall disclose whether confirmation/ necessary approvals have been obtained from banks/ financial institutions to make repayment/ pre-payment of their borrowings, to the extent applicable under the section ‘Objects of the Issue’

11. LMs shall disclose under section “History and Certain Corporate Matters” of the offer document, 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. LM shall ensure that special rights





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which will continue post listing are not prejudicial or adverse to the interest of the minority / public shareholders.

12. LMs are advised to disclose the changes in credit ratings of the company during the last 3 Fiscals in the offer document.
13. LMs are advised to ensure If adjectives such as "largest", "leader", "strong", "differentiated" are used, the same should be explained and substantiated. If not substantiated, these terms should not be used.
14. LMs are advised to ensure that updated information is provided for the data disclosed in the RHP including under "Industry Overview" section, especially GDP projections (if mentioned). Further, LM is advised that any consequential changes as required either in the industry report or the Management discussions should be reflected as near as possible to the filing of the RHP.
15. LMs are advised that details of Pre-IPO placement (if made) is disclosed in the RHP along with statement that investor was made aware of the risk that there is no guarantee that the IPO/ listing will happen.
16. LMs are advised to ensure that all pre-IPO investors/ buyers are informed that the Issue may or may not be successful and the equity shares of the Company may or may not get listed. And the fact that such information have been shared with all pre-IPO investors/ buyers should be disclosed in the Offer Document
17. With respect to all the complaints received by LM/Company and complaints forwarded by SEBI, LMs are advised to ensure that there is adequate redressal of the complaint and relevant disclosures, if required, 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.
18. LMs are 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.
19. LMs are advised to ensure that the details of all the criminal matters initiated against the company, group companies, directors, subsidiaries which are at FIR stage and no/some cognizance has been taken by court is incorporated in the RHP along with appropriate risk factors in this regard.
20. LMs are advised to ensure that relevant disclosures as to all actions/complaints/pending proceedings against the Issuer/Promoters/Promoter Group/Selling Shareholder with Other Regulatory Authorities is made in the Red Hearing Prospectus.





21.LMs are advised to include a reference to the circulars CFD/DIL2/CIR/P/2018/22 dated Feb 15, 2018, CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 at all applicable sections in DRHP.

22.LMs are 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 **constituting at least 33% of the price band advertisement space.**

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

iii. 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) and should be increased to match the font of BID/Offer Programme in advertisements of Price Band and all further advertisements, website of





अनुषर्ती:
Continuation :

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the company and the stock exchange. Further, any adverse ratio / data in basis for issue price should be disclosed. 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. The portion pertaining to "BRLMs" shall not constitute more than 10% of the price band advertisement space

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





Annexure II

General Observations

1. LMs are 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. LMs are advised to ensure that the 'Observation Letter' issued by SEBI is included among the material contracts and documents for inspection.
3. LMs are 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. LMs are 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.
5. LMs are 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, LMs are advised to ensure that 100% promoter holding is in demat form prior to listing.
7. LMs are advised to ensure that SCORES authentication is taken by the issuer company prior to listing.
8. In pursuance of Regulation 25 Sub-Regulation 9(a) of SEBI (ICDR) Regulations, 2018, LMs are 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) LMs are 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) LMs are 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."

- 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**.*

