



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

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निर्गम एवं सूचीबद्धता प्रभाग Division of Issues and Listing
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By Courier / Email

SEBI/NRO/CFD/DIL/367/1/2023
January 4, 2023

कैपिटल स्क्वायर एडवाइजर्स प्राइवेट लिमिटेड
205-209, दूसरी मंजिल, AARPEE केंद्र,
एमआईडीसी रोड नंबर 11, सीटीएस 70, अंधेरी (ई),
मुंबई - 400093, महाराष्ट्र, भारत
Telephone: +91 22 66849999/145/138
email: viveka.singhal@capitalsquare.in

कृपया ध्यान दें: श्री विवेका सिंघल

महोदय,

Sub: Final Observation Letter - Proposed Rights Issue of North Eastern Carrying Corporation Limited (NECCL)/नॉर्थ ईस्टर्न कैरिंग कॉर्पोरेशन लिमिटेड (NECCL) का प्रस्तावित राइट्स इश्यू

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

“हम हिन्दी पत्राचार का स्वागत करते हैं।”

उत्तरी प्रादेशिक कार्यालय : प्लेट-बी, आठवीं मंजिल, ऑफिस टॉवर-1, एन बी सी सी कॉम्प्लेक्स, पूर्व किदवई नगर, नई दिल्ली - 110023

Northern Regional Office : Plate-B, 8th Floor, Office Tower-1, NBCC Complex, East Kidwai Nagar, New Delhi-110023 दूरभाष (Phone) : 011 - 69012998

प्रधान कार्यालय : सेबी भवन, प्लॉट सं. सी-4 'अ', जी-ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व) मुंबई - 400051 दूरभाष (Phone) : 022 - 26449000

Head Office : SEBI Bhavan, Plot No. C-4A, G-Block, Bandra Kurla Complex, Bandra (E) Mumbai - 400051 Web : www.sebi.gov.in





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, 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 March 06, 2019 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.**





Continuation Sheet

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

6. 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.

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

Place: New Delhi

भवदीय / Yours faithfully,

आशु / Aashu





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

Annexure I

OBSERVATIONS

1. Please refer to your letter/email dated 09.08.2022, 18.08.2022, 27.09.2022, 21.12.2022, 31.12.2022 and all other correspondences exchanged. LM is advised to ensure compliance with the same. LM is advised to ensure compliance with the same and is advised to comply with the statements made for undertaking/confirming to disclose/update/make a part of LOF any kind of information/data.
2. It was observed that adequate disclosures regarding past/ongoing actions by SEBI were not disclosed by LM in the Draft Letter of Offer and in subsequent submissions. LM is advised to be cautious in future and is advised to carry out proper due diligence before making any filing with SEBI and ensure that relevant disclosures as to all actions/complaints/pending litigations with SEBI or any other Regulatory Authorities is made in the Letter of Offer.
3. LM is advised to disclose the specific risk factors as well as financial/ economic impact on the company. Further, LM is advised to confirm that information disclosed in Risk Factors, or any other section shall be compulsorily cross referred which shall include the correct page numbers where the specific information/ explanation has been provided.
4. LM and company should confirm and ensure that the requirement of investment limit by a FPI (w.r.t. the purchase of equity shares of each company by a single foreign portfolio investor or an investor group shall be below ten percent of the total issued capital of the company) as per SEBI (FPI) Regulations, 2014, is complied with.
5. LM is advised to ensure –
At "Summary of the Draft letter of offer"
 - Simple conversational language to be used.
 - No abbreviations shall be usedAt "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.
6. With respect to all the complaints received by LM/Company/forwarded by SEBI, LM is advised to ensure that there is adequate redressal of the complaint and relevant disclosures as to the same are made in the Letter of Offer and other Offer related material along with the disclosures of the Financial Impact of the same, if any.





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

7. LM is advised to ensure that the 'Materiality policy' of the Issuer, Business Succession Policy and Data Security Policy are included among the material contracts and documents for inspection.
8. LM is advised to disclose that as on date, there is no pending action (if any) against the promoter / promoter group/ director of the issuer / Group Companies etc. by any regulatory authority in India or overseas.
9. LM is advised to disclose any past instances where claims have exceeded insurance coverage in last three financial years and its impact on financials of the Company. LM is advised to disclose the percentage of assets covered under insurance visa vis the total assets of the company.
10. LM is advised to disclose that consent from lenders, in writing, has been obtained for the proposed Rights Issue of NECCL.
11. 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. In case of any aberrations in this respect, the same may be duly informed in the RHP.
12. LM is advised: (i) to quantify the related party transactions, in brief, that the company has entered into in tabular form and (ii) that Related party transactions as percentage of Revenue may be disclosed in the DLOO.
13. LM is advised to disclose that the existing litigations are not so major that the issuer's survival is dependent on the outcome of the pending litigation.
14. LM is advised to ensure the disclosures of all actions taken by statutory and regulatory authorities.
15. LM is advised to disclose the amount involved in under Litigation involving Indirect Tax liabilities.
16. LM is advised to disclose any material approval/ license which is going to expire in near future and will require renewal.
17. LM is advised to include the scheme of merger/ amalgamation/ slump sale and any other material documents, if any, as part of this section.
18. LM is advised to avoid using the following paragraph (including content of similar nature) in the DLOO - "Similarly, industry forecasts, market research and industry and





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

market data used in this Draft Letter of Offer, while believed to be reliable, have not been independently verified by our Company, the Lead Manager or its affiliates and neither our Company, the Lead Manager, nor its respective affiliates make any representation as to the accuracy of such information". It may be mentioned that, in terms of Regulation 70(3) of S.EBI (ICDR) Regulations, 2018, it is obligatory on the Lead Manager to perform necessary due diligence on the entire draft letter of offer, including the information provided under Industry Reports; and to ensure that the information provided in the DRHP is current, reliable, and complete in all aspects, before submitting the draft letter of offer to SEBI.

19. LM is advised to mention the period of refunding the monies/ unblocking of funds at the relevant places.
20. LM is advised to disclose details of all the past inaccuracies, delays, and non-compliances with respect to regulatory filings and corporate actions taken by the Company, if any. Also disclose the details of past regulatory actions and penalties for any past non-compliance. Further, LM is also advised to disclose measures taken by the Company to avoid such non-compliance in the future.
21. LM shall avoid using the following (including content of similar nature) in the DLOO: neither we, nor the BRLM have independently, verified such data. It may be mentioned that, in terms of Regulation 24(3) of SEBI {ICDR) Regulations, 2018, it is obligatory on the Lead Manager to perform necessary due diligence on the entire draft letter of offer, including the information provided under Industry Reports; and to ensure that the information provided in the DLOO is current, reliable and complete in all aspects, before submitting the draft letter of offer to SEBI.
22. 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 Letter of Offer along with appropriate risk factors in this regard.
23. LM is advised to disclose probable financial impact of the rise in wages/ salaries and the Issuer's preparedness and include a risk factor in this regard.
24. LM is advised to disclose details of any dispute with respect to the trademarks/ intellectual property registrations owned by the company or any application for trademark/ intellectual property registrations made by the company.
25. LM is advised to ensure that financial information wherever used should be given for the last 3 FYs and stub period not older than 6 months, as applicable.





26. LM is advised to represent percentage of materiality.
27. LM is advised to ensure that exact disclosures along with details of the page no. and disclosure statements have been made in DLOO.
28. W.r.t Price Band Advertisement of the Companies, the LM is advised details of past issues handled by LM, which closed below the offer price on the listing date, to be published in the below mentioned format:

LM	Total Issues	Issues closed below IPO Price on listing date
Total		

29. LM is advised to disclose Impact of Covid 19 of business of the Issuer.
30. LM is advised to confirm that there has been no violation under takeover regulations regarding shares acquired by promoters or promoter's group in last three years. LM is further advised to confirm that there are no takeover violations / triggers during the rights issue process.
31. LM is advised to disclose the data regarding number of owned and hired vehicles/agencies and agreements in this regard with third parties. Further, under confirmations, LM is advised to confirm that the issuer company/ subsidiaries to Promoter/Promoter Group/ Directors/ KMPs or any other associate entity have no conflict of interest with any of third party mentioned in DLOO.
32. LM is advised to specifically disclose that there are no disruptions or delays in the delivery of consignments to their destination and/ or damage to the transported cargo in last three years and mention that no such event has happened in the past in the specified Risk Factor.
33. LM is advised to disclose the specific reasons/ explanations for significant decline in the Issuer's cash flow. Comments to the effect that whether such scenario may be continued in the near future may be continued may also be disclosed.
34. LM is advised to disclose details of top 10 lenders in the risk factor in final DLOO.
35. LM is advised to disclose the following in the Letter of offer:





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

- i) Rights Entitlements (REs) which are neither subscribed nor renounced on or before the Issue Closing Date shall lapse and shall be extinguished after the Issue Closing Date.
 - ii) If no application is made by the purchaser of REs on or before Issue closing date then such REs will get lapsed and shall be extinguished after the Issue Closing Date. No shares / other securities for such lapsed REs will be credited, even if such REs were purchased from market and purchaser will lose the premium paid to acquire the REs.
 - iii) Persons who have bought Rights Entitlements (REs), shall require to make an application and apply for shares / other securities offered under Rights Issue, if they want to subscribe to the shares / other securities offered under Rights Issue.
36. LM is advised to make appropriate disclosure at all places regarding related party transactions which might occur in future.
37. LM is advised to disclose whether there has been a change in auditor(s) before completion of the appointed term (in any of the past five fiscal years), and the reasons thereof.
38. LM is advised to make appropriate disclosures regarding Valuation report in DLOO.
39. LM is advised to include a risk factor in DLOO regarding utilization of proceeds of Right issue.
40. LM is advised to incorporate the outstanding balance of the loans as on the date of final Letter of Offer in the final Letter of Offer.
41. LM is advised to disclose (along with date of disclosure) that for every point, wherever disclosures are required to be made to Stock exchange, have been made appropriately.





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

Annexure II

General Observations

1. LM is advised to ensure that prior to filing of Letter of Offer 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 letter of offer, while also indicating the page number for the same.





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

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 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 *

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:





Continuation Sheet

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

"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."

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.

