



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

Assistant General Manager
Corporation Finance Department
Division of Issues and Listing
Email: sathyakumaran@sebi.gov.in

SEBI/HO/CFD/DIL2/P/ OW/2022/18018/1
April 27, 2022

Through Email

HDFC Bank Limited

Investment Banking Group
Unit No 401 & 402, 4th Floor,
Tower B Peninsula Business Park,
Lower Parel, Mumbai – 400 013
Maharashtra, India

Kind Attention: Mr. Ashwani Tandon / Mr. Kunal Thakkar

Dear Sir,

Sub: Proposed IPO of Aether Industries Limited (the Company / Issuer / AIL)

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 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

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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 June 12, 2021, 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 favor, 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: MUMBAI

SATHYA KUMARAN K S



Annexure I

OBSERVATIONS

1. Please refer to our letters/emails dated January 31, 2022 and March 09, 2022, and your letters / emails dated February 09, 2022, and March 11, 2022, all other correspondences exchanged. In this regard, LM is advised to ensure that the changes made pursuant to our initial as well as second set of clarifications are duly incorporated in the updated DRHP and RHP.
2. Wherever the LM has undertaken to modify / delete / amend the risk factors or in other relevant section of the DRHP in its replies, the same shall be duly modified and incorporated in the updated DRHP / RHP.
3. Wherever the LM has mentioned "Complied with" or "Noted for compliance" or "Complied with and noted for compliance" or "Complied with and noted for compliance to the extent applicable" in its replies, LM shall ensure that the same are duly complied with.
4. Risk Factors – 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.
5. LM to include the following as one of the top 5 risk factors:
"The Offer Price, market capitalization to revenue multiple and price to earnings ratio based on the Offer Price of our Company, may not be indicative of the market price of the Company on listing or thereafter."
6. Page no. 92 – Offer Expenses – Include a paragraph on the following lines:
"The expenses directly attributable to the portion with regard to Offer for sale shall be borne by the Selling Shareholders in proportion to the number of Equity Shares sold by each of them in the Offer and will be deducted from the Offer proceeds, as appropriate, and only the balance amount will be paid to the selling shareholders, in accordance with Section 28(3) of the Companies Act, 2013."

LM is advised to ensure that the Offer Expenses related disclosure in the updated DRHP / RHP (including in the paragraph in the "Objects of the Offer" section) shall be duly updated to this effect.
7. LM is advised to provide 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.
8. As mentioned in your e-mail dated April 25, 2022, the details relating to "Demonstrate the market share for products where Aether is the largest/sole manufacturer" shall entirely be disclosed in Our Business section



9. The LM shall certify that the valuation of the company is justified based on the parameters considered i.e. AIL has performed better than its peer group, AIL has 8 chemistry competencies to use for its wide array of products and the fact that the PE multiple of this company is higher than few of its listed peers. The extract of this confirmation on valuation shall be part of the basis for offer price. Further, LM shall give a due diligence certificate certifying that AIL is the largest manufacturer in the world in CY 2020 for four products (4MEP, T2E, NODG, HEEP) and sole manufacturer in India for 7 products (4MEP, T2E, OTBN, NODG, DVL, BFA, MMBC) and confirm that they have exercised due diligence on the market share claimed by AIL. In addition to the above, the valuation certificate and due diligence certificate shall form part of the material documents for inspection.
10. The relevant financial parameters based on which the Price Band would be determined shall also be advised to be disclosed in the advertisement that would be issued for publication of the Price Band.
11. Key performance indicators (KPIs) to be disclosed for a duration of atleast the later of three years after the listing date or utilization of the issue proceeds disclosed in the objects of the issue section. The disclosure of KPIs may be discontinued thereafter with the approval of the shareholders.
12. As regards the fact that there are no other nominee directors, KMPs or other persons etc., appointed by any of the shareholders, LM is advised to specifically mention in the RHP that right shall terminate upon the listing of the Equity Shares on the Stock Exchanges.
13. LM is advised to ensure that relevant disclosures as to all actions/complaints/pending litigations with other Regulatory Authorities are made in the RHP.
14. 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 Red Hearing Prospectus along with appropriate risk factors in this regard.
15. LM is 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.
16. LM is advised that Market Value at Issue Price to Total Turnover and P.E. Ratio at issue price can be added in Price Advertisement. Also, LM is advised to add suitable risk factor in the relevant Risk Factor in this regard.
17. Any risk on pricing of the issue / basis of issue price, track record of BRIMs, average cost of acquisition of shares by selling shareholders etc. which is proposed to be included in the issue advertisement shall be submitted.



18. 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. 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. 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) 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 be disclosed.

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

20. LM is advised to include the following risk factors, amongst others, in the Price Band Advertisement:

- a) Loss of key customer base may have a material adverse effect on the financial conditions, cash flows and results of operations as top 20 customers account for 73.50% of total revenue in Fiscal 2021.
- b) Part of the net proceeds offered through offer for sale will be paid to the selling shareholder and the Company will not receive any proceeds of the Offer;
- c) The Company conducts 100% of its operations through two manufacturing facilities at Sachin in Surat, Gujarat, which are subject to various operating risks that could have an adverse effect on business, financial condition and results of operations.
- d) High dependency on revenues from Pharmaceuticals and Agrochemicals customer segment which account for 88.22% in Fiscal 2021.
- e) Dependent on third party suppliers for raw materials which account for 51.28% of total revenue from operations in Fiscal 2021. If concentration from particular country is significant, then the same shall be included.

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Annexure II

General Observations

1. LM is 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. 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 42 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 25 Sub-Regulation 9(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 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



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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 .

(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:

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"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**.*

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