

## Archana Maini

**From:** Nikhil Panjwani <Nikhil.Panjwani@jmfl.com>  
**Sent:** 14 January 2022 11:17 AM  
**To:** 'project.hermes@campusshoes.com'; Piyush.Singh; Raman.Chawla; Nikhil.aggarwal; KCO  
| Project Hermes | Delhi; hermeswgl@amsshardul.com; Dimple.Mirchandani;  
**Cc:** Archana Maini; Guptan, Rahul; Talati, Rachna; Talati, Rachna; Devendra R. Dhanesha  
'project.hermes@kotak.com'; DG GCIB IN Project Hermes2021;  
**Subject:** 'project.hermes@cls.com'; Project Hermes; project.hermes@tpg.com  
FW: Campus Activewear Limited | IPO | DRHP - Initial Clarifications

All

Please find below the initial SEBI observations received.

We can schedule a call at 12.30 pm today if it works for call to discuss the same so that the Counsels can start drafting the responses

**Nikhil Panjwani**



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**From:** Afzal Khan SK [<mailto:afzalk@sebi.gov.in>]  
**Sent:** 14 January 2022 10:55  
**To:** Nikhil Panjwani; Arjun Mehra  
**Cc:** VANDANA JOGLEKAR  
**Subject:** RE: Campus Activewear Limited | IPO | DRHP - Initial Clarifications

Dear Sir,

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to comply/clarify on the following points:

- A. It has been observed that in various instances disclosures have been made in the offer document stating 'we believe...' LM is advised to provide the basis for making such disclosures in the offer document while also explaining compliance with Regulation 24 (1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations").

**B. FORWARD LOOKING STATEMENTS**

1. Page-18 – It is disclosed that this Draft Red Herring Prospectus contains certain "forward-looking statements". It may be noted that point (e) under Instructions of Part A of Schedule VI of ICDR Regulations, 2018, states that the offer document should not make any forward looking statements that cannot be substantiated. In view of the same, you are advised to confirm and explain compliance with aforesaid provision with respect to all such forward looking statements made in the DRHP.

**C. SUMMARY OF THE ISSUE DOCUMENT**

2. Page 20 – LM is advised to disclose the value and volume in absolute and percentage terms for the past 'X' years under primary business of the company.
3. Page 20 – The market share of the company in domestic footwear industry may be disclosed.
4. Page 20 – The selling shareholder details may be provided in a tabular format along with the percentage stake that they are proposing to offload through the IPO route.

**D. RISK FACTORS**

5. LM is advised to rearrange the risk factors based on materiality.
6. Risk Factors – In all risk factors, wherever either only percentages or the absolute values are mentioned, LM shall ensure to disclose both the absolute values and percentages adequately.
7. Page 27 – LM shall ensure that the letter of appointment of Technopak be a part of material documents for inspection.
8. **Risk Factor 1:** LM is advised to elaborate the role played by social media influencers for brand building and shall also disclose the terms and conditions of contracts, if any, entered to by the company with such people/firms.
9. **Risk Factor 1:** Impact on the company revenue/financials due to negative publicity in the past may be disclosed for past 'x' years.

- 10. Risk Factor 1:** The expenditure incurred for product warranties, product recalls and product liability claims may be disclosed in both absolute value and as a percentage of total income for the past "X" years.
- 11. Risk Factor 1:** LM is advised to elaborate on how the company is addressing the concerns w.r.t revenue loss and adverse brand image due to duplicate/counterfeit products.
- 12. Risk Factor 2:** LM is advised to elaborate on how the company evaluates the consumer acceptance subsequent to launch of new designs. Further, for fiscals 2019, 2020 and 2021, the consumer acceptance of the new designs launched may be quantified and disclosed.
- 13. Risk Factor 5:** LM is advised to explain the terms open and closed footwear appropriately.
- 14. Risk Factor 6 & 7:** A cross reference may be provided to the geographies of manufacturing facilities.
- 15. Risk Factor 6:** The disclosure of impact of COVID-19 on the business of the company may be more specific, including the following:
- Liquidity / solvency position of the company including its ability to service debt
  - Any existing contracts / agreements where non-fulfilment of the obligations by any party may have a significant impact on the company's business
  - Impact on receivables of the company
- 16. Risk Factors 7:** While the disclosure is specifically stating that the sales are concentrated in North India, LM is advised to explicitly disclose the geographical extent in which the company operates its business and executes its sales. Also, LM may specifically disclose the sales revenue accrued from such geographies in % terms.
- 17. Risk Factor 8:** Exact nature of risk involved may be disclosed from the perspective of public shareholders.
- 18. Risk Factor 8:** LM is advised to ensure that all RPTs are done at arm's length price. LM is advised to ensure that RPT should be in compliance with the Companies Act, 2013, SEBI (LODR) Regulations, relevant Accounting Standards and other statutory compliances. LM is advised to disclose the details of all/any conflicts of interest arising among the equity shareholders in relation to the related party transactions entered in the past.
- 19. Risk Factors 9 and 11:** Both these RFs may be merged into a single RF.

20. **Risk Factor 10:** The terms and conditions entered to by the company with the contractors may be disclosed briefly. Further, the wages & compensation paid to the contract labor may be disclosed as a % of total revenue for the past 'x' years.
21. **Risk Factor 14:** Strategic acquisitions/investments executed by the company may be disclosed for past 'x' years.
22. **Risk Factor 15:** The commission structures agreed to by the company with third party market places may be disclosed. The covenants of agreements executed by the company with such market places may be disclosed in brief.
23. **Risk Factor 16:** LM is advised to disclose the following in the RF, summary, our business and any other relevant section of the DRHP.
- Average turnover/revenue per shop/store operated by the company.
  - Average market value (based on market cap) per shop/store operated by the company.
- LM shall ensure that the aforementioned details shall also be disclosed in the price band advertisement along with the details of total market valuation considering the higher and lower price band.
24. **Risk Factor 17:** The number of personnel recruited in the past 'x' years may be disclosed and the cost incurred towards training the existing personnel may be disclosed as a % of total revenue/income for past 'x' years.
25. **Risk Factor 18:** A relative comparison of surge in shipment costs pre and post covid may be disclosed.
26. **Risk Factor 19:** The replacement cost of the outdated equipments, if any, in the past may be disclosed. Further, delay or non-receipt of regulatory approvals, if any, may be disclosed.
27. **Risk Factor 20:** The heading of the RF mentions 'certain' products, which is ambiguous. LM is advised to modify the disclosure unambiguously.
28. **Risk Factor 21:** Logistics disruption in the past and its impact on the raw material supply chain and thereby, any negative impact on sales and revenues may be disclosed.
29. **Risk Factor 25:** Technological disruptions on the operations of the company in the past may be disclosed. Further, the impact of such disruptions on the financials of the company may also be disclosed.

30. **Risk Factor 25:** Data protection norms and cyber security protocols incorporated by the Issuer Company may be disclosed. The findings of the InfoSec audit may also be disclosed. Also, Details of non-compliance with data protection norms and InfoSec related Indian and foreign laws may be disclosed.
31. **Risk Factor 26** – Percentage of revenue spent on upgrading the IT systems may be disclosed for the past 'x' years.
32. **Risk Factor 27** – The details of the data forecasting tools used by the company may be disclosed.
33. **Risk Factor 28** – The details of locations from which the company exited in the past 'x' years may be disclosed.
34. **Risk Factor 29** – A cross reference may be provided to the actual numbers disclosed in the DRHP.
35. **Risk Factor 31-** The terms, conditions and the tenure of lease for the manufacturing facilities may be disclosed.
36. **Risk Factor 32** – Exact nature of risk may be disclosed.
37. **Risk Factor 33** - The details of borrowings and lease liabilities repaid by the company may be disclosed in a tabular form.
38. **Risk Factor 35:** LM and Issuer Company are advised to clarify and disclose the impact of restrictive covenants on the Public Shareholders/Minority Shareholders post listing.
39. **Risk Factor 35** - Full details of the covenant that was breached by the company on debt service coverage ratio and the lender details may be disclosed.
40. **Risk Factor 36** - LM is advised to elaborate and explain the term 'omnichannel presence' distribution strategy.
41. **Risk Factor 38** – LM is advised to explicitly state the conditions subject to which the refund of GST is processed by the concerned authorities.
42. **Risk Factor 39** – IPR infringements in the past, if any, may be disclosed. Further, a cross reference may be provided to the details of registered trademarks disclosed in the DRHP.
43. **Risk Factor 41** – This RF may be accommodated in top 5 RFs. Further, the heading of the RF may explicitly mention the details of regulatory/statutory authorities who monitors the compliance of environmental regulations by the company.

44. **Risk Factor 43** – The heading of the RF shall explicitly state the names of statutory/regulatory authorities from whom permits/approvals are sought by the company.

45. **Risk Factor 47** – Any such instances in the past may be disclosed.

46. **Risk Factor 45:** LM is advised to clarify the statement “not to place undue reliance on such information”. In such case, LM may please clarify the data/information on which the investors can rely to take an informed decision w.r.t participation in IPOs.

#### **E. GENERAL INFORMATION**

47. Page 75 – Unblocking of application monies can be included in the Post Issue activities.

#### **F. BASIS FOR OFFER PRICE**

48. Page 102 – LM is advised to justify the disclosure pertaining to point 1 under qualitative factors with facts/data.

#### **G. INDUSTRY OVERVIEW**

49. LM is advised to disclose if ‘Technopak’ which had prepared the industry reports is in any way related to the issuer company/directors/promoters. Further LM is advised to ensure that reports by Technopak relied upon while making disclosures in the draft offer document is included among the material contracts and documents for inspection. Furthermore, wherever (each instance) data from various reports have been used in support of disclosures made in the offer document, LM is advised to clearly qualify the source of such disclosures.

50. All the main and sub-headings may be highlighted and underlined to improve the readability.

51. A side by side comparison of Indian market with global footwear and athleisure markets across western EU, North & Central America, South Asia along with China may be disclosed. An illustrative comparison must be visually appealing and easily readable.

52. In India, the disclosures should also reflect the market demand across tier-3 and tier-4 geographical segments among rural areas. LM is advised to ensure that such disclosures are made in the DRHP.

#### **H. OUR BUSINESS**

53. LM is advised to disclose the following details in both absolute and percentage terms in the DRHP.

- Sales and revenue accrued from the online market place/e-commerce sites.
- Sales and revenue accrued from brick & mortar shops/stores.
- Sales and revenue accrued from single brand retail shops/stores.
- Sales and revenue accrued from multi brand retail shops/stores.
- Sales and revenue accrued from metropolitan/urban/semi-urban/semi-rural/rural geographies.
- Sales and revenue accrued from tier-3 and tier-4 towns from rural geographies.
- A comparison of revenue accrued through sales volumes among different segments of population viz. lower middle/middle/upper-middle/economically rich etc. categories.
- A comparison of revenue accrued through sales volumes among different genders and different age groups etc.

54. The refund/return/exchange policy of the company shall be disclosed.

## **I. HISTORY AND CERTAIN CORPORATE MATTERS**

55. Page 201 – The page no in the cross reference provided for scheme of arrangement may be corrected.
56. The date of filing of the scheme with NCLT, New Delhi may be disclosed. Further, the current status of its processing may also be disclosed.
57. LM is advised to disclose the special rights, if any, available to certain shareholders would continue to exercise, pursuant to listing of shares on exchange.
58. LM is advised to categorically disclose 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.
59. 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”.
60. 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.
61. 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.

62. LM is advised that inter-se agreements/ arrangements between the shareholders are disclosed under section "History and Certain Corporate Matters".

63. LM is advised that a categorical statement from the Issuer Company/ Promoters / Shareholders, may be provided that there are no other inter-se agreements/ arrangements and clauses / covenants which are material and which needs to be disclosed and that there are no other clauses / covenants which are adverse / prejudicial to the interest of the minority / public shareholders. Also that there are no other agreements, deed of assignments, acquisition agreements, SHA, inter-se agreements, agreements of like nature other than disclosed in the DRHP.

64. Further, the LMs shall also confirm to SEBI that they have gone through the inter-se agreements/ arrangements, if any, as disclosed in the DRHP and they also do not see any clauses / covenants which are material and need to be disclosed, which have not been disclosed and that there are no other clauses / covenants which are adverse / prejudicial to the interest of the minority / public shareholders.

#### **J. FINANCIAL INFORMATION**

65. LM is advised to disclose the following in the Management Discussion and Analysis Section:

- i. Total Liabilities in the past three financial years.
- ii. Default of loans, if any, in the past may be disclosed at all the relevant places in the offer document.

66. Related Party Transactions (RPT): LM to ensure that all RPTs are done at arm's length price. LM is advised to ensure that RPT should be in compliance with the Companies Act, 2013, SEBI (LODR) Regulations, relevant Accounting Standards and other statutory compliances. LM is advised to quantify the related party transactions, in brief, that the company has entered into in tabular form. LM is advised that Related party transactions as percentage of Revenue may be disclosed in the offer document.

67. FINANCIAL INDEBTEDNESS: LM is advised to provide cross referencing to the Risk factors with respect to the indebtedness as a part of disclosure.

#### **K. LEGAL AND OTHER INFORMATION**

68. LM shall update the details of status of litigation with the latest/updated position of litigations against promoter/promoter group entities/company and the companies promoted by the issuer.

69. LM is advised to confirm that the existing litigations are not so major that the issuer's survival is dependent on the outcome of the pending litigation.

70. LM is advised to ensure the disclosures of all actions taken by statutory and regulatory authorities.

71. LM is advised to disclose brief details of all matters above materiality threshold.

**L. Material Documents and Contracts for Inspection**

72. Page 482 – LM is advised to include the initial clarification letter along with the final observation letter issued by SEBI in material documents for inspection.

**M. MISCELLANEOUS**

73. LM is advised to ensure that the following paragraph (including content of similar nature) from any/all section(s) of DRHP is removed.

*“None among our company, the selling shareholders or any member of the Syndicate shall be liable for any failure in (i) uploading the bids due to faults in any software/ hardware system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism”*

74. LM is advised to include a reference to the circulars CFD/DIL2/CIR/P/2018/22 dated Feb 15, 2018 and CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 at all applicable sections in DRHP.

75. LM is advised to examine the applicability of SEBI (Framework for Rejection of Draft Offer Documents) Order, 2012, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.

76. LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020, dated Feb 05, 2020, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.

77. 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:

- Section 67(3) of Companies Act, 1956; or

- relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or the SEBI Regulations; or the SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.

78. 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.

79. 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] %."

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.

You are requested to provide the replies to the above clarification within 5 working days from the date of receipt of this letter.

Thanks & Regards,  
Afzal Khan.