



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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SEBI/HO/CFD/DIL-1/P/OW/2021/33674/1
November 23, 2021

Kotak Mahindra Capital Company Limited
1st Floor, 27 BKC, Plot No. C-27,
'G' Block, Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051

Dear Sir/Madam,

Subject: Clarifications on the DRHP of Delhivery Limited

We are in receipt of Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated November 02, 2021.

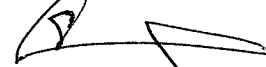
In this regard, please find the clarifications required in the matter at Annexure A.

Yours faithfully,


Prasad Dhake
(Encl: As above)

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For DELHIVERY LIMITED


Company Secretary



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Annexure A
Clarification sought on the DRHP of Delhivery Limited

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

1. 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.
2. 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.
3. 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 / 200 investors as the case maybe in violation of:
 - a) Section 67(3) of Companies Act, 1956; or
 - b) relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
 - c) the SEBI Regulations; or
 - d) the SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.
4. LM is advised to avoid using the following paragraph (including content of similar nature) in the DRHP - "the Company, the Selling Shareholders, the BRLMs or any other person connected with the Offer have not independently verified this information". 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 offer document, 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 offer document to SEBI.
5. It has been observed that in various instances disclosures have been made in the offer document stating 'we believe...' / 'we do not believe...', LM is advised to provide the basis for making such disclosures in the offer document while also explaining compliance with Regulation 24 (1) and Regulation 25 (2) (b) of



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SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations").

6. Standard Disclosure for Special Rights in DRHP

- 6.i. LM is advised that it is categorically disclosed 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.
- 6.ii. 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".
- 6.iii. 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.
- 6.iv. 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.

7. Standard Disclosure for Inter-Se Agreements (if any) in DRHP

- 7.i. LM is advised that inter-se agreements/ arrangements between the shareholders are disclosed under section "History and Certain Corporate Matters".
- 7.ii. 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 / pre-judicial 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.
- 7.iii. 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 / pre-judicial to the interest of the minority / public shareholders.



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8. LM is advised to ensure that all the Preference Shares issued by the company are converted prior to filing of RHP and adequate disclosure is made in this regard in the RHP.
9. LM is advised to ensure that adequate disclosures are made with regard to ESOPs issued, ESOPs vested, etc.
10. Summary of this DRHP (Page 22-28)
 - 10.i. LM is advised to also provide the proforma financial information in the select financial information section at Page 23.
 - 10.ii. LM is advised to clarify that how the weighted cost of acquisition of equity shares by SVF Doorbell (Cayman) Ltd, Times Internet Limited, Mr. Mohit Tandon and Mr. Suraj Saharan is Nil if no new equity shares/preference shares for consideration other than cash or by way of bonus have been issued in the last one year.
11. RISK FACTORS (Page 29-67)
 - 11.i. LM is advised to rearrange the risk factors based on materiality. LM is advised to provide adequate and correct cross referencing, wherever required.
 - 11.ii. LM is also advised to provide proposals, if any, to address the risk mentioned in risk factors, wherever applicable. LM should note that the proposals to address the risks shall not contain any speculative statement in the positive outcome of any matter or litigation, etc. and shall not be given for any matter that is sub-judice before any court/tribunal.
 - 11.iii. **Risk Factor 1:**
 - LM is advised to provide the prominent disclosure in the risk factor that the logistics and transportation facilities are on lease.
 - LM is advised to provide amount of capital expenditure incurred during last three financial years.
 - LM is advised to provide cost of implementing new technology or automation or expanding network infrastructure incurred by the issuer during the last three financial years.
 - 11.iv. **Risk Factor 2:**
 - LM is advised to provide details of all the disruptions faced by the issuer to their logistics and transportation facilities during the last three financial years and the impact on the financials of the issuer due to such disruption.



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- LM is advised to provide details of all the breach in their contractual obligations with their customers during the last three financial years and the impact on the financials of the issuer due to such breach.

11.v. Risk Factor 3:

- LM is advised to provide details of employee benefit expense incurred by the company during the last three financial years and stub period for the Engineering, Data sciences and product team.
- LM is advised to provide details of attrition rate during the last three financial years and stub period for the Engineering, Data sciences and product team.
- LM is advised to provide details of any worker union/labor union of the business partners of the issuer.
- LM is advised to provide details of any strikes, work stoppages, industrial actions or other forms of labor unrest or collective actions faced by issuer or their business partners during the last three financial years and the impact on the financials of the issuer due to such disruption.

11.vi. Risk Factor 4:

- LM is advised to quantify the number of trucks and other transportation vehicles as percentage of total which have been leased by the issuer as on June 30, 2021.
- LM is advised to provide further details of nature of arrangements/contracts which the issuer has with the network partners, fleet partners and manpower agencies.
- LM is advised to provide details of any dispute with the network partners, fleet partners and manpower agencies during the last three financial years.
- LM is advised to provide the retention rate of the network partners, fleet partners and manpower agencies during the last three financial years.
- LM is advised to provide further details of third party verification technologies and services which are critical to the high level of automation.

11.vii. Risk Factor 5:

- LM is advised to provide details of operating cost details incurred by the issuer during the last three financial years and mention the shipments done during the last three financial years in a tabular format.



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- LM is advised to provide further details of pricing strategy of the issuer along with the increase/decrease of the price during the last three financial years.
- LM is also advised to disclose the mechanism adopted by the issuer to ensure there is no huge impact on its revenue.

11.viii. Risk Factor 6:

- LM is advised to provide details of adjusted EBITDA contribution of express parcel services as percentage of total adjusted EBITDA for the last three financial years and during the stub period.

11.ix. Risk Factor 7:

- LM is advised to provide details of any errors, bugs or malfunctioning of technology systems which have affected operations and financials of issuer during the last three financial years.
- LM is advised to provide details of investment made in new technologies and cyber security during the last three financial years.

11.x. Risk Factor 8:

- LM is advised to provide details of percentage of logistic needs met by major e-commerce marketplaces by their in-house capabilities.

11.xi. Risk Factor 9:

- LM is advised to provide revenue concentration of top five customers for each market segment.
- LM is advised to provide customer retention rate for the issuer for the last three financial years.

11.xii. Risk Factor 10:

- LM is advised to provide details of all the statutory and regulatory licenses and approval which are obtained and maintained by the issuer along-with the validity of such licenses/approvals.
- LM is advised to provide details of all the statutory and regulatory licenses which are currently pending.

11.xiii. Risk Factor 11:

- LM is advised to provide details of all the claims made by the issuer and against the issuer along-with the insurance coverage during the last three financial years.
- LM shall also disclose the claims which exceeded the coverage.



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11.xiv. Risk Factor 13:

- LM is advised to provide details of organic revenue growth rate for the last three financial years.
- LM is advised to provide month wise shipment details for the issuer for last three financial year to highlight the seasonality in the business.

11.xv. Risk Factor 14: LM is advised to provide attrition rate for the management for the last three financial years.

11.xvi. Risk Factor 15:

- LM is advised to provide details of delay/default in customer payments during the last three financial years.
- LM is advised to provide whether the credit term policy of issuer and supplier is line with the industry.

11.xvii. Risk Factor 17:

- LM is advised to provide details of lease payments made by the issuer during the last three financial years.
- LM is advised to provide details of any dispute regarding the lease agreements during the last three financial years.

11.xviii. Risk Factor 18:

- LM is advised to provide details of applicable data privacy laws for the issuer and also provide details on whether the issuer can share/monetize the personal data of its customer as per the current applicable laws.
- LM is advised to provide details of any cyber security threats faced in the past three financial years for the issuer and material impact on the financial due to such cyber security breach on the issuer.

11.xix. Risk Factor 19: LM is advised to provide status regarding the 'FedEx' deal.

11.xx. Risk Factor 20: LM is advised to confirm whether will be change in capital structure of the issuer with regard to the final purchase price allocation ('PPA') for Spoton.

11.xxi. Risk Factor 21:

- LM is advised to move the above risk factor as the top risk factor
- LM is advised to provide proposals to address the risk mentioned in risk factor.



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- LM is advised to provide details of the cumulative losses incurred by the Issuer since its inception and provide details of how these losses were funded.
- 11.xxii. **Risk Factor 23:** LM is advised to provide details of action undertaken in similar cases in the past. LM is advised to provide details of step taken by company to avoid such instances in the future
- 11.xxiii. **Risk Factor 24:** LM is advised to provide details of any notice or penalty issued by RoC in this regard. LM is also advised to provide details of any compounding action taken. LM is advised to provide details of step taken by company to avoid such instances in the future
- 11.xxiv. **Risk Factor 25:** LM is advised to shift the risk factor in top 10.
- 11.xxv. **Risk Factor 26:** LM is advised to provide current credit rating of the loans along with details of any downgrade in the past.
- 11.xxvi. **Risk Factor 28:** LM is advised to provide details of key operating metrics used to evaluate the performance of issuer's business for the last three financial years. LM is also advised to provide the details of key operating metrics used by the industry in which the issuer operates.
- 11.xxvii. **Risk Factor 31:** LM is also advised to provide proposals to address the risk mentioned in risk factor.
- 11.xxviii. **Risk Factor 33:** LM is advised to provide the details of number of share issued along with price in the risk factor itself. LM is advised to shift the risk factor in top 10.
12. THE OFFER (Page 68-63)
- LM is advised to provide details of tentative shares outstanding before filing of RHP post conversion of preference shares and Fedex deal. LM is also advised to provide the details of total options granted as on date of filing of RHP and the expected dilution due to the option grant.
13. CAPITAL STRUCTURE (Page 87-119):
- 13.i. LM is advised to submit fiscal year wise built of equity share/preference share issued by issuer along with the consideration to SEBI.
- 13.ii. LM is advised to provide details of shares pledged/encumbered.
- 13.iii. LM is advised to ensure compliance with 'Capital Structure' section in light of Schedule VI, 8 (b) (Page 206) of SEBI (ICDR) Regulations, 2018 specially with regard to ESOPs disclosures.
14. OBJECTS OF THE OFFER (Page 120-128):



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- 14.i. LM is advised to provide compliance with 'Objects of the issue' section in light of Schedule VI 9 (A) (Page 214) of SEBI (ICDR) Regulations, 2018 specially with regard to investment in plant/equipment/technology/process and schedule of implementation.
- 14.ii. LM is advised to clarify the statement at Page 121 that *'the main objects and the objects incidental and ancillary to the main objects of our Memorandum of Association enables our company to undertake (i) our existing business activities; and (ii) the activities proposed to be funded from our net proceeds.'*
- 14.iii. LM is advised to justify deployment of the net proceeds over the next five fiscals from listing of the equity shares.
- 14.iv. **Funding organic growth initiatives-** LM is advised to clarify the difference between 'build scale in existing business lines' and 'expanding our network infrastructure'. LM is advised to clarify reason for inclusion of freight and handling cost and how it can be part of expansion of network infrastructure.
- 14.v. **Funding inorganic growth through acquisition and other strategic initiatives-** LM is advised to provide consideration paid for each acquisitions done by the issuer.
- 14.vi. LM is also advised to clarify whether such acquisitions would be in same industry or complementary or in segments supporting existing business model. LM is also advised to clarify if such acquisition will be in domestic markets or outside India or both.
- 14.vii. Risk Factor to be included for, "Lack of specificity around the objects of the offer and there is no specific earmarking of fund use under the different heads of the object of the offer."
- 14.viii. Risk Factor to be included for, "As on the date of this DRHP, we have not identified any specific targets with whom we have entered into any definitive agreements."
- 14.ix. Under section "Monitoring of Utilization of funds" , LM is also advised to make suitable disclosure on following points:
- 14.ix.1. The proceeds of the issue shall also be monitored by the Audit Committee till utilization of the proceeds.
- 14.ix.2. For any investments in acquisitions or strategic partnership or any inorganic growth initiative, post IPO from the IPO proceeds, detailed disclosures of same shall be made in public domain at that time.



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14.ix.3. Issuer Company shall provide details / information / certifications obtained from statutory auditors on the utilization of the Net Proceeds to the Monitoring Agency.

14.ix.4. Issuer Company shall for the purpose of quarterly report by Monitoring Agency, provide item by item description for all the expense heads under each object of the issue. For the purpose of same, the following expense heads as disclosed in offer document are to be considered:

A. <Objects of the Offer mentioned in DRHP - Heading>

- a. Sub-heads given under objects
- b.

B. <Objects of the Offer mentioned in DRHP - Heading>

14.ix.5. Issue Company shall in its quarterly Notes to Accounts of its Financial Statements include the employment of issue proceeds under various expense heads.

14.x. At Page 126, table provides for 'other advisors to the issue'. However, such information is not mentioned in General Information. LM is advised to incorporate the same. The scope of the advisors may also be disclosed.

15. BASIS FOR OFFER PRICE (Page 129-121):

15.i. LM is advised that impact of conversion / issuance of all the shares issued by the company prior to filing of RHP to be taken into account while calculating the quantitative factors.

15.ii. LM is advised to justify the statement that '*this differentiates us from other listed logistic companies in India...*'

16. INDUSTRY OVERVIEW (Page 143-156)

16.i. In Industry Report, LM is advised that all places where it is mentioned as RedSeer Report, such research shall be provided in bibliography/ or as web-link and as material documents.

16.ii. At Page 149, it is observed that the captive market share has increased from 50% in FY2018 to 59% in FY2020 for ecommerce segment. However, the FY26P number estimate a reduction in market share to 54% for captive. LM is advised to provide reason for same.

16.iii. LM is advised to provide differences including key benefits/drawbacks of Mesh Network vis-à-vis Hub-Spoke model. LM is also advised to provide



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details of any other company operating typical network design as Mesh Network.

- 16.iv. At Page 148, LM is advised to justify that *'New age, tech-enabled players in India have built asset light models with full control over network partners....'*
- 16.v. At Page 150, LM is advise to provide data that new age technology providers have approx. 20% lower costs per shipment than captive players with comparable service matrix to SEBI.
- 16.vi. LM is advised to provide justification for statement at Page 155 that *'Amongst independent e-commerce focused logistic players, Delhivery has made the highest investment in technology and automation and has built the largest technology team of engineers, developers and data scientists and is well positioned to gain share across business lines.'*
- 16.vii. LM is advised to provide reason for not providing names of players at Page 155 for doing comparative analysis.
17. OUR BUSINESS (Page 157-189)
- a) LM is advised to provide details of pricing strategy of the issuer along with the increase/decrease of the price during the last three financial years.
- b) LM is advised to provide further details about 'App Marketplace' and 'Financial Services' which are under development.
- c) At Page 157, LM is advised to make the disclosure that the logistic infrastructure is on lease.
- d) At Page 158, in key differentiators, LM is advised to provide details of investment made in Data Intelligence, Proprietary logistics operating system and automation during the last three financial year and stub period.
- e) At Page 161, LM is advised to provide per unit shipment cost for the last three financial year and stub period.
- f) At Page 162, LM is advised to justify the statement – *'Our shared network allows us to offer e-commerce equivalent turnaround times and direct reach across our entire network to PTL freight customers.'*
- g) At Page 164, LM is advised to provide capacity utilization data for automated sort facility for past three financial years and stub periods.



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- h) At Page 168, LM is advised to provide break up of amount of fleet which is owned and which is leased.
- i) At Page 171, LM is advised to provide clarity with numbers for the following statement-
'... this has driven higher network utilization, resulting in cost efficiencies, while maintaining service speed and reliability...'
Similarly at page 173, *'....leads to lower costs and greater reliability..'*
- j) At Page 172, LM is advised to provide details of investment done in hardware/software/cloud, etc. with regard to the vast data intelligence capabilities of the company.
- k) At Page 183, LM is advised to provide details of all major properties in a tabular form along with the lease payments to be done.

18. HISTORY AND CERTAIN CORPORATE MATTERS (Page 190-200)

LM is advised to provide reason for capital infusion in the company during FY2021 and stub period, if any.

19. OUR MANAGEMENT (Page 201-216)

At Page 208, LM is advised to provide the reason for change in board during last three years.

At Page 215, LM is advised to provide attrition rate of key managerial personnel for past three financial year.

At Page 216, LM is advised to provide the reason for change in KMPs

20. FINANCIAL STATEMENTS (Page 220-297)

LM is advised to disclose the reasons/details for the following:

- a) At Page 261, LM is advised to provide details of credit impairment of trade receivables.
- b) At Page 262, LM is advised to provide details of unbilled receivables.
- c) LM is advised to provide further details regarding associate 'Leucon Technologies Private Limited' including its ownership structure and nature of relationship with the issuer.



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- d) LM is advised to clarify that the share sub-division done during the last financial year is in accordance with the SEBI (ICDR) Regulation.
- e) LM is advised that impact of conversion of all the preference shares/Fedex deal issued by the company prior to filing of RHP to be taken into account while calculating the other financial information

21. MISCELLANEOUS

- a) 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.
- b) 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



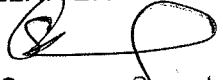
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issue price should also be disclosed. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments.

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For DELHIVERY LIMITED


Company Secretary