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SHANTHALA FMCG PRODUCTS LIMITED

Corporate Identification Number: U51109KA2014PLC073756

Our Company was incorporated as Shanthala Traders Private Limited on February 20, 2014 under the Companies Act, 1956 with the Registrar of Companies, Bangalore bearing Registration number 073756. The name of the Company was changed to Shanthala FMCG Products Private Limited vide certificate of incorporation, consequent to change of name was issued on April 24, 2023 by the Registrar of Companies, Bangalore. The status of the Company was changed to public limited and the name of our Company was changed to Shanthala FMCG Products Limited vide Special Resolution dated June 12, 2023 pursuant to conversion of the Company into public limited Company. The fresh certificate of incorporation consequent to conversion was issued on July 10, 2023 by the Registrar of Companies, Bangalore. The Corporate Identification Number of our Company is U51109KA2014PLC073756. For further details of our Company, see "General Information" and "History and Certain Other Corporate Matters" on pages 37 and 90, respectively.

Registered Office: 7th Block, Gandhinagr Bye Pass Road, Virajpet, Kodagu - 571218, Karnataka, India; **Tel No.:** +91 82742 98999; **Email:** ipo@Shanthalafmcg.com; **Website:** www.Shanthalafmcg.com; **Contact Person:** Snehal Ravindra Bhagwat, Company Secretary and Compliance Officer.

ADDENDUM TO THE DRAFT PROSPECTUS DATED AUGUST 07, 2023: NOTICE TO INVESTORS (THE "ADDENDUM")

OUR PROMOTERS: B. MANJUNATH MALLYA, SHOBITHA MALYA, YOGISH MALLYA AND SNEHA VINAYAK KUDVA

INITIAL PUBLIC OFFERING OF UP TO 17,66,400 EQUITY SHARES OF ₹10 EACH ("EQUITY SHARES") OF SHANTHALA FMCG PRODUCTS LIMITED ("SHANTHALA" OR THE "COMPANY") FOR CASH AT A PRICE OF ₹ 91 PER EQUITY SHARE (THE "OFFER PRICE"), AGGREGATING TO ₹ 1,607.42 LAKHS ("THE OFFER"). OF THE OFFER, 88,800 EQUITY SHARES AGGREGATING TO ₹80.81 LAKHS WILL BE RESERVED FOR SUBSCRIPTION BY MARKET MAKER ("MARKET MAKER RESERVATION PORTION"). THE OFFER LESS THE MARKET MAKER RESERVATION PORTION I.E. OFFER OF 16,77,600 EQUITY SHARES OF FACE VALUE OF ₹ 10.00 EACH AT AN OFFER PRICE OF ₹ 91.00 PER EQUITY SHARE AGGREGATING TO ₹1,526.62 LAKHS IS HEREINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER WILL CONSTITUTE 26.36% AND 25.03%, RESPECTIVELY OF THE POST OFFER PAID UP EQUITY SHARE CAPITAL OF OUR COMPANY. FOR FURTHER DETAILS, SEE "TERMS OF THE OFFER" ON PAGE 162 OF THE DRAFT PROSPECTUS.

This is with reference to the Draft Prospectus filed by the Company with the National Stock Exchange of India Limited ("NSE"). Potential Applicants/Bidders may note the followings:

- 1) Under the heading titled "Definitions And Abbreviations" beginning from page 1 of the Draft Prospectus, certain risk factors shall be amended and/ or updated and/ or added, as provided beginning on page 4 of the Addendum.
- 2) Under the heading titled "Summary of the Offer Document" beginning from page 12 of the Draft Prospectus, certain risk factors shall be amended and/ or updated and/ or added, as provided beginning on page 5 of the Addendum
- 3) Under the heading titled "Risk Factor" beginning from page 18 of the Draft Prospectus, certain risk factors shall be amended and/ or updated and/ or added, as provided beginning on page 6 of the Addendum.
- 4) Under the heading titled "Summary Financial Information" beginning from page 34 of the Draft Prospectus, certain information shall be amended and/ or updated and/ or added, as provided beginning on page 8 of the Addendum.
- 5) Under the heading titled "Capital Structure" beginning from page 44 of the Draft Prospectus, certain information shall be amended and/ or updated and/ or added, as provided beginning on page **Error! Bookmark not defined.** of the Addendum.
- 6) Under the heading titled "Objects of the Offer" beginning from page 56 of the Draft Prospectus and accordingly, key assumptions to the working capital projections shall be amended and/ or updated and/ or added, as provided beginning on page 11 of the Addendum.
- 7) Under the heading titled "Business Overview" beginning from page 78 of the Draft Prospectus and accordingly, certain information shall be amended and/ or updated and/ or added, as provided beginning on page 14 of the Addendum.
- 8) Under the heading titled "History and Certain Corporate Matters" beginning from page 90 of the Draft Prospectus and accordingly, certain information shall be amended and/ or updated and/ or added, as provided beginning on page 16 of the Addendum.
- 9) Under the heading titled "Our Promoter and Promoter Group" beginning from page 103 of the Draft Prospectus and accordingly, information related to Mrs. Sneha Vinayak Kudva shall be amended and/ or updated and/ or added, as provided beginning on page 17 of the Addendum.
- 10) Under the heading titled "Financial Statements" beginning from page 111 of the Draft Prospectus and accordingly, certain information shall be amended and/ or updated and/ or added, as provided beginning on page 19 of the Addendum.
- 11) Under the heading titled "Management's Discussion And Analysis Of Financial Condition And Results Of Operations" beginning from page 135 of the Draft Prospectus and accordingly, certain information shall be amended and/ or updated and/ or added, as provided beginning on page 20 **Error! Bookmark not defined.** of the Addendum.
- 12) Under the heading titled "Outstanding Litigation And Material Developments" beginning from page 144 of the Draft Prospectus and accordingly, certain information shall be amended and/ or updated and/ or added, as provided beginning on page 21 of the Addendum.
- 13) Under the heading titled "Government and Other Approvals" beginning from page 147 of the Draft Prospectus and accordingly, certain information shall be amended and/ or updated and/ or added, as provided beginning on page 22 of the Addendum.
- 14) The consequent changes and/ or additions as made in the respective above sections shall be accordingly disclosed in the Draft Prospectus wherever applicable.

The above additions and/ or amendments are to be read in conjunction with the Draft Prospectus, unless indicated otherwise, and accordingly their references in the Draft Prospectus stand amended pursuant to the Addendum to the Draft Prospectus. The information in the Addendum supplements the Draft Prospectus and updates the information in the Draft Prospectus, as applicable. However, please note that the Addendum does not reflect all the changes that have occurred between the date of filing of the Draft Prospectus and the date thereof, and the information included in the Draft Prospectus will be suitably updated, including to the extent stated in the Addendum to the Draft Prospectus, as may be applicable in the Prospectus, as and when filed with ROC and the Stock Exchange.

The Addendum is filed with NSE and shall be made the respective websites NSE i.e. www.nseindia.com; Lead Manager at www.focl.in and the Issuer Company at www.Shanthalafmcg.com.

All capitalized terms used in the Addendum shall, unless the context otherwise requires, have the meaning ascribed to them in the Draft Prospectus.



The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and unless so registered, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of each jurisdictions where such offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be issued or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

For Shanthala FMCG Products Limited
On behalf of the Board of Directors
Sd/-

B. Manjunath Mallya
Managing Director

Place: Coorg
Date: October 11, 2023

LEAD MANAGER TO THE OFFER		REGISTRAR TO THE OFFER	
	FIRST OVERSEAS CAPITAL LIMITED 1-2 Bhupen Chamber, Dalal Street, Fountain, Mumbai -400 001 Maharashtra, India Telephone: +91 22 4050 9999 E-mail: mb@focl.in Investor grievance e-mail: investorcomplaints@focl.in Website: www.focl.in Contact Person: Satish Sheth/ Mala Soneji SEBI Registration No.: INM000003671		BIGSHARE SERVICES PRIVATE LIMITED S6-2, 6 th Floor, Pinnacle Business Park, Mahakali Caves Road, Next to Ahura Centre, Andheri East, Mumbai - 400 093, Maharashtra, India Tel. No.: +91 22 6263 8200 Email: ipo@bigshareonline.com Investor Grievance Email: investor@bigshareonline.com Website: www.bigshareonline.com Contact Person: Babu Rapheal C. SEBI Registration No.: INR000001385

Shanthala FMCG Products Limited is proposing, subject to applicable statutory and regulatory requirements, receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its Equity Shares and has been filed the Draft Prospectus dated August 07, 2023 with NSE. The Draft Prospectus and the Addendum to the Draft Prospectus shall be available on the respective websites NSE i.e. www.nseindia.com; Lead Manager at www.focl.in and the Issuer Company at www.Shanthalafmcg.com. Potential Applicants/Bidders should note that investment in equity shares involves a high degree of risk and details relating to such risk, please see the section entitled "Risk Factors" beginning on page 24 of the Draft Prospectus. Potential Applicants/Bidders should not reply on the Draft Prospectus filed with NSE for making any investment decision.

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DEFINITIONS AND ABBREVIATIONS

Promoter	B. Manjunath Mallya, Shobitha Malya, Yogish Mallya and Sneha Vinayak Kudva
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SUMMARY OF THE OFFER DOCUMENT

Promoters:

B. Manjunath Mallya, Shobitha Malya, Yogish Mallya and Sneha Vinayak Kudva are the Promoters of our Company.

Pre-Offer Shareholding of Promoters, Promoter Group:

Sr.	Particulars	Pre-Offer		Post-Offer	
		No. of Shares	% Holding	No. of Shares	% Holding
a)	Promoters				
	B. Manjunath Mallya	1,762,200	35.73	1,762,200	26.31
	Shobitha Malya	80,000	1.62	80,000	1.19
	Yogish Mallya	783,200	15.89	783,200	11.7
	Sneha Vinayak Kudva	1,371,400	27.81	1,371,400	20.48
	Total - A	3,996,800	81.05	3,996,800.00	59.68
b)	Promoter Group				
	Vinayak Gopalkrishna Kudva	800	0.02	800	0.01
	Santosh Gopalkrishna Kudva	800	0.02	800	0.01
	Smita Subramanyam Kudva	800	0.02	800	0.01
	Total - B	2400	0.06	2400	0.03
	Grand Total (A+B)	3,999,200	81.11	3,999,200.00	59.71

Weighted Average Price of the Equity Shares acquired by the Promoter in the last one year preceding the date of this Draft Prospectus:

Name of the Promoter	No. of Shares	Average cost of acquisition (in ₹)
B. Manjunath Mallya	15,41,925	0.00*
Shobitha Malya	70,000	0.00*
Yogish Mallya	7,83,200	0.00*
Sneha Vinayak Kudva	11,91,400	N.A. **

* Bonus Issue

**cost of acquisition of 11,91,400 equity shares is NIL as the shares allotted are gifted and are bonus shares.

For further details please refer to chapter titled “Capital Structure” on page **Error! Bookmark not defined.**

Average cost of acquisition of shares for promoter:

Name of the Promoter	Average cost of acquisition (in ₹)
B. Manjunath Mallya	2.78
Shobitha Malya	1.25
Yogish Mallya	0.00
Sneha Vinayak Kudva	N.A. **

cost of acquisition of 11,91,400 equity shares is NIL as the shares allotted are gifted and are bonus shares. For further details please refer to chapter titled “Capital Structure” on page **Error! Bookmark not defined.

RISK FACTORS

The following Risk Factors shall be amended and/ or updated and/or added under the section titled “Risk Factors” beginning from page 18 of the Draft Prospectus:

1. We are dependent upon few suppliers for the material requirements of our business. Further, we do not have definitive agreements or fixed terms of trade with most of our suppliers. Failure to successfully leverage our relationships with existing suppliers or to identify new suppliers could adversely affect our business operations.

There were 4 suppliers during FY 2023, which represented 100% of our Purchases and 3 suppliers during FY 2022 represented 100% of Purchases and 5 suppliers during FY 2021 represented 100% of Purchases.

In our industry, generally there are no definitive agreements with the suppliers of the products we sell. We also do not have any long-term supply agreements with our suppliers or distributors and we procure our products on a purchase order basis. Since there are no fixed terms of trade, the discounts and schemes for our customers are decided based on the negotiation skills of the procurement team. If we are unable to continue to procure supplies at competitive prices, our margins and business will be adversely affected.

Any problems faced by our supplier resulting in delays or non-adherence to quality requirements could adversely impact our ability to meet our customer’s requirements in time and our operations would be affected to the extent we are unable to line up supplies from alternate suppliers. If we fail to successfully leverage our existing and new relationships with suppliers, our business and financial performance could be adversely affected.

2. We are in the business of distribution of FMCG products including that of tobacco products which are subject to Stringent health and safety laws and regulations as well as governed by stricter consumption policies, which may affect our company’s business and financial position.

Our operations are subject to stringent health and safety laws as our products are for human consumption and are therefore subject to various industry specific regulations. Further, we may also incur additional costs and liabilities related to compliance with these laws and regulations that are an inherent part of our business. We are subject to various central, state and local food safety, consumer goods, health and safety and other laws and regulations. These relate to various issues, including food safety, food ingredients, and food packaging requirements, and the investigation and remediation of contamination.

Our revenue from sale of tobacco products during FY 2023, FY 2022 and FY 2021 was Rs. 2529.78 Lakhs, Rs. 1816.35 Lakhs and Rs. 2044.89 Lakhs respectively constituting 64.38%, 56.31% and 50.47% of our Revenue from operations during above period. Apart from the food safety and other regulations, tobacco products are subject to further stricter regulations like age restriction for consumption of tobacco products, restriction on advertisement, restriction of sale of tobacco products in certain places near school etc. Due to these restrictions our business may be affected and will also lead to poor financial performance which may affect our revenues and profitability.

3. Our business requires us to obtain and renew certain registrations, licenses and permits from government and regulatory authorities and the failure to obtain and renew them in a timely manner may adversely affect our business operations.

Our business operations require us to obtain and renew from time to time, certain approvals, licenses, registrations and permits, some of which may expire and for which we may have to make an application for obtaining the approval or its renewal. However, as on the date of filing of the Draft Prospectus, there are no such applications which we need to made and/ or pending. If we fail to maintain such registrations and licenses or comply with applicable conditions, or a regulatory authority claims we have not complied, with these conditions, our certificate of registration for carrying on a particular activity may be suspended and/or cancelled and we will not then be able to carry on such activity. This could materially and adversely affect our business, financial condition, and results of operations. We cannot assure you that we will be able to obtain approvals in respect of such applications or any application made by us in the future. For more information about the licenses required in our business and the licenses and approvals applied for, please refer “Government and Other Approvals” on page 147 of this Draft Prospectus, respectively.

4. We are engaged in distribution of FMCG products manufactured and / or marketed by FMCG Companies. Our Operating Cost comprises of Cost of goods sold, Employee cost and Other operating expenses, any fluctuations in Operating Cost may have impact on the Company's business as well as financial performance.

Our operating cost comprises of cost of goods sold, employee cost and other operating expenses. Further, for the FY 2023, 2022 and 2021, our operating cost amounted to ₹ 4008.30 lakhs, ₹ 3206.58 lakhs, and ₹ 3890.21 lakhs, respectively, representing 98.31%, 98.53 and 98.35%, respectively of our total revenues. Cost of goods sold is major portion of our operating cost and that is relating to purchase price of various FMCG products. Though, the period between procurement of products and its distribution is short and therefore the chances of any substantial change in the sales price of the final product are less but there may be possibility that our operating cost may at times be volatile due to fluctuations in cost of goods sold or employee cost or any other operating cost. Any volatility in our operating cost will directly affect our financial position and in turn our profitability.

5. Our Company has issued Equity Shares during last 12 months at price lower than the Issue Price.

Our Company has issued Equity Shares during last 12 months at price lower than the Issue Price by way of Bonus issue:

Date of Allotment	No. of Equity Shares	Face Value (₹)	Issue Price (₹)	Nature / Reason of Allotment	Nature of Consideration
July 18, 2023	43,15,206	10	Nil	Bonus Issue	Nil

For further details regarding the issue of Equity Shares by our Company, please refer to the chapter titled “Capital Structure” beginning on page 44 of this Prospectus.

6. There have been several instances of delay in filing of statutory returns by our Company in the past.

There have been several instances of delay in filing of GST returns by our Company in the past which were not material in nature and the same were regularised subsequently by payments and filing of return with interest and penalty. Though these delays have been regularised, we cannot assure you that there will be no default or delay in future in payment of such statutory dues. Further, we cannot assure that we will not be subject to any legal proceeding or regulatory actions, including monetary penalties by respective statutory authorities on account of such delay in filing of returns, which may adversely affect our business, financial condition, and reputation.

7. There are certain comments made by our then Statutory Auditors in their Auditors Report for FY 2020-21 about maintenance of records of the fixed assets during FY 2021 by our Company.

Our auditors have made remarks relating to physical verification of fixed assets and maintenance of records of the fixed assets during FY 2021. Although, the auditor on verification of the assets and records have confirmed during FY 2022 and FY 2023 that our company has maintained proper records and there are no negative remarks made during those years. However, we cannot assure you that there will be no such event in future. If there will be any such comments in future, we feel that the same will affect our credibility and accordingly our prospective investors and lenders may view it seriously and may stay away from associating with our Company. Further, not recording any fixed assets and/ or not maintaining proper records of our fixed assets, could materially and adversely affect our business, financial condition and results of operations.

SUMMARY FINANCIAL INFORMATION

STATEMENT OF PROFIT & LOSS AS RESTATED

(₹ in Lakhs)

Particulars	Note No.	31.03.23	31.03.22	31.03.21
Income				
Revenue from Operations	II.1	4,051.59	3,225.87	3,929.64
Other Income	II.2	25.66	28.70	26.03
Total Revenue		4,077.25	3,254.57	3,955.67
Expenditure				
Cost of Goods Sold	II.3	3,935.81	3,132.55	3,810.31
Employee Benefit Expenses	II.4	49.01	45.46	36.40
Other Expenses	II.5	23.48	28.57	43.50
Total (B)		4,008.30	3,206.58	3,890.21
Profit Before Interest, Depreciation and Tax		68.95	47.99	65.46
Depreciation and Amortisation Expenses		1.78	1.70	1.49
Profit Before Interest and Tax		67.17	46.29	63.97
Financial Charges	II.6	40.92	39.94	43.98
Profit before Taxation		26.25	6.35	19.99
Provision for Taxation		8.46	1.83	5.58
Provision for Deferred Tax		0.06	0.00	0.00
Total Taxes		8.52	1.83	5.58
Profit After Tax but Before Extra ordinary Items		17.73	4.52	14.41
Extraordinary Items		0.00	0.00	0.00
Prior Period Items - Tax		0.00	0.00	0.00
Net Profit after adjustments		17.73	4.52	14.41
Net Profit Transferred to Balance Sheet		17.73	4.52	14.41

CAPITAL STRUCTURE

The following information shall be amended and/ or updated and/or added under the chapter titled “Capital Structure” beginning from page 44 of the Draft Prospectus:

As on the date of this Draft Prospectus, our Promoters hold 3,996,800 Equity Shares, constituting 81.05% of the pre-issued, subscribed, and paid-up Equity Share capital of our Company.

Build-up of our Promoters’ shareholding in our Company

Date of Allotment / Transfer	Nature of acquisition (Allotment/ Acquired/ transfer)	Number of Equity Shares	Face Value per Equity Share (in ₹)	Issue Price /Acquisition Price / Transfer price per Equity Share (in ₹)	Nature Of Consideration	Percentage of Pre-Issue Equity Share Capital (%)	Percentage of Post-Issue Equity Share Capital (%)
Mrs. Sneha Vinayak Kudva							
March 29, 2023	Acquired*	100	10	25.09	Cash	Negligible	Negligible
May 27, 2023	Acquired by way of Gift**	1,71,325	10	Nil	Other than Cash	3.47	2.56
July 18, 2023	Bonus Allotment	11,99,975	10	Nil	Other than Cash	24.33	17.92
September 05, 2023	Transfer ***	(1,80,000)	10	75.00	Cash	-3.64	-2.69
Total – C		11,91,400				24.15	17.79

*Transfer from B Manjunath Mallya to Sneha Vinayak Kudva.

**Transfer from B Manjunath Mallya to Sneha Vinayak Kudva by way of Gift.

***Transfer to Mr. Ramnath Patil- 30000 Equity Shares, Mrs. Sarita Patil-20000 Equity Shares; Mr. Saeed Attar-20000 Equity Shares; Mrs. Kanchan Karad-20000 Equity Shares; Mr. Shrirsh Adarwad-10000 Equity Shares; Mrs. Prerena Adarwad-10000 Equity Shares; Mr. Mihir Narvekar-10000 Equity Shares; Mr. Mukesh Thumar-10000 Equity Shares; Mr. Dharamraj Mahale-10000 Equity Shares; Mr. Devang Trivedi-10000 Equity Shares; Mr. Jigar Trivedi-10000 Equity Shares; Mr. Amit Langote--10000 Equity Shares; Mr. Ratanlal Agrawal-10000 Equity Shares.

The shareholding pattern of our Promoters and Promoter Group before and after the Offer is set forth below:

Sr.	Particulars	Pre-Offer		Post-Offer	
		No. of Shares	% Holding	No. of Shares	% Holding
a)	Promoters				
	B. Manjunath Mallya	1,762,200	35.73	1,762,200	26.31
	Shobitha Malya	80,000	1.62	80,000	1.19
	Yogish Mallya	783,200	15.89	783,200	11.7
	Sneha Vinayak Kudva	1,371,400	27.81	1,371,400	20.48
	Total - A	3,996,800	81.05	3,996,800.00	59.68
b)	Promoter Group				
	Vinayak Gopalkrishna Kudva	800	0.02	800	0.01
	Santosh Gopalkrishna Kudva	800	0.02	800	0.01
	Smita Subramanyam Kudva	800	0.02	800	0.01
	Total - B	2400	0.06	2400	0.03
	Grand Total (A+B)	3,999,200	81.11	3,999,200.00	59.71

The average cost of acquisition of or subscription to Equity Shares by our Promoters is set forth in the table below:

Name of the Promoter	Average cost of acquisition (in ₹)
B. Manjunath Mallya	2.78
Shobitha Malya	1.25
Yogish Mallya	0.00
Sneha Vinayak Kudva	N.A.**

cost of acquisition of 11,91,400 equity shares is NIL as the shares allotted are gifted and are bonus shares. For further details please refer to chapter titled “Capital Structure” on page **Error! Bookmark not defined.

None of our Promoters, members of our Promoter Group or our Directors or their immediate relatives have sold or purchased Equity Shares by any other person during the six months immediately preceding the date of this Draft Prospectus, except as under:

Date of Transaction	Nature of Transaction (Acquired/ transfer)	Number of Equity Shares	Face Value per Equity Share (in ₹)	Acquisition Price / Transfer price per Equity Share (in ₹)	Nature of Consideration
Mrs. Sneha Vinayak Kudva					
March 29, 2023	Acquired*	100	10	25.09	Cash
May 27, 2023	Acquired by way of Gift**	1,71,325	10	Nil	Other than Cash
July 18, 2023	Bonus Allotment	11,99,975	10	Nil	Other than Cash
September 05, 2023	Transfer ***	(1,80,000)	10	75.00	Cash

*Transfer from B Manjunath Mallya to Sneha Vinayak Kudva.

**Transfer from B Manjunath Mallya to Sneha Vinayak Kudva by way of Gift.

***Transfer to Mr. Ramnath Patil- 30000 Equity Shares, Mrs. Sarita Patil-20000 Equity Shares; Mr. Saeed Attar-20000 Equity Shares; Mrs. Kanchan Karad-20000 Equity Shares; Mr. Shrirsh Adarwad-10000 Equity Shares; Mrs. Prerena Adarwad-10000 Equity Shares; Mr. Mihir Narvekar-10000 Equity Shares; Mr. Mukesh Thumar-10000 Equity Shares; Mr. Dharamraj Mahale-10000 Equity Shares; Mr. Devang Trivedi-10000 Equity Shares; Mr. Jigar Trivedi-10000 Equity Shares; Mr. Amit Langote--10000 Equity Shares; Mr. Ratanlal Agrawal-10000 Equity Shares.

OBJECTS OF THE ISSUE

The following justification shall be amended and/ or updated and/or added under the chapter titled “Objects of the Issue” beginning from page 56 of the Draft Prospectus:

1. Funding Additional Working Capital Requirements

Our business is working capital intensive and we fund a majority of our working capital requirements in the ordinary course of our business from banks, financial institutions and our internal accruals.

(a) Existing Working Capital:

Our Company’s existing working capital based on the Restated Financial Information is stated below:

(₹ in lakhs)

Particulars	31-Mar-21	No. of Days	31-Mar-22	No. of Days	31-Mar-23	No. of Days
	Actuals		Actuals		Actuals	
Current Assets						
Inventories	79.08	8	111.04	13	107.50	10
Trade Receivables	171.37	16	75.50	9	99.85	9
Short Term Loans & Advances and Others	33.19		68.25		14.21	
Total	283.64		254.79		221.56	
Current Liabilities						
Trade payables	19.83	2	14.70	2	37.96	4
Other Current Liabilities & Provisions	23.31		9.41		28.93	
Total	43.14		24.11		66.89	
Working Capital Gap	240.50		230.68		154.67	
Less: Existing Borrowings	142.67		154.11		170.00	
Net Working Capital Requirement	97.83		76.57		-15.33	
Funded through Internal Accruals and Equity	97.83		76.57		-15.33	

(b) Future Working Capital Requirements

Our Company proposes to utilize ₹1,150 lakhs of the Net Proceeds for our working capital requirements. This will be utilized during Fiscal 2024 and Fiscal 2025 towards our Company’s working capital requirements. The balance portion of our Company working capital requirement, if any, shall be met from the working capital facilities availed and internal accruals. The incremental and proposed working capital requirements and key assumptions with respect to the determination of the same are mentioned below. Our Company’s expected working capital requirements for Fiscal 2024 & Fiscal 2025 and the proposed funding of such working capital requirements are as set out in the table below:

(₹ in lakhs)

Particulars	31-Mar-24	No. of Days	31-Mar-25	No. of Days
	Estimated		Estimated	
Current Assets				
Inventories	373.08	21	669.70	21
Trade Receivables	384.62	21	690.41	21
Short Term Loans & Advances and Other Current Assets	100.00		125.00	
Total	857.69		1485.11	
Current Liabilities				
Sundry Creditors	71.06	4	127.56	4

Particulars	31-Mar-24	No. of Days	31-Mar-25	No. of Days
	Estimated		Estimated	
Other Current Liabilities & Provisions	36.63		37.55	
Total	107.69		165.11	
Working Capital Gap	750.00		1320.00	
Less: Existing Bank Borrowings	170.00		170.00	
Net Working Capital Requirement	580.00		1150.00	
Proposed Working Capital to be funded from IPO	580.00		570.00	
Funded through Internal Accruals and Equity	0.00		580.00	

The working capital projections made by the Company are based on certain key assumptions, as set out below:

Sr. No.	Particulars	Assumptions
Revenue Assumption for FY 2024 and FY 2025		
	Sales	We have assumed Sales from existing activities to grow by 15% in FY 2024 as well as FY 2025. Apart from that there will be further growth in Sales, from addition of Hindustan Unilever Limited (HUL) distribution agency from September 2023, during FY 2024 and FY 2025. We also expect to add new distributorship once IPO money is available and that also will add to our Sales going forward. In all we would be serving approximately 900 – 1000 stores with products of 3-4 FMCG Companies as we increase our geographical reach and add more distributorship, which will help us achieve our Sales target. The main reason for increase in working capital requirement is assumption of offering higher credit period to customers from existing 10-12 days to 21 days going forward to increase sales for the products of new suppliers added / expected to be added by us as disclosed in the above.
Current Assets		
1	Inventories:	In order to achieve large volume, facilitating delivery on call and migrating to next orbit of growth, we need to maintain higher inventory levels. In Fiscal 2021, 2022 and 2023 our inventory days were 8 days, 13 days and 10 days respectively. We have also assumed that we will be maintaining higher inventory at 21 days for the Fiscal 2024 & Fiscal 2025 as against 9 days during FY 2023 to meet with the market demands, our growth requirements and demand of new products of new suppliers as their products are not only of daily consumption but also includes Beauty & wellbeing products, personal care products as well as home care products which we need to store for longer period vis-à-vis tobacco and food products which we have dealt in past.
2	Trade receivables	In Fiscal 2021, 2022 and 2023 our receivable days were 16 days, 9 days and 9 days respectively. We have added one of the largest FMCG MNC supplier in India for whom we started distributing Beauty & wellbeing, Nutrition, Personal care & Home care products which are not daily sales products and for that we need to provide more credits to our customers. Our turnover increase during FY 2023 is mainly contributed due to increase in Tobacco products Sales. The fact that tobacco products are very fast-moving goods and is sold on very limited credit period hence working capital requirement from Inventory and Sundry Debtors have increased just by Rs. 20.81 Lakhs during FY 2023. Due to the business growth, catering to more Companies for distributing their products and the need for increasing the sales volume we need to provide more credits and accordingly we have estimated receivables to be at 21 days for Fiscal 2024 & Fiscal 2025.
3	Short term Loans and advances and Other current assets	The key items under this head are advance to staff / suppliers, advance taxes, security deposit with statutory authorities, prepaid expenses etc. Further, we have received back Rs. 43.65 Lakhs advance given to M/s. Shanthala Enterprises, which was outstanding during FY 2022. The segregation of distribution business of kushal nagar

		as one of the reasons for decrease in working capital requirement during FY 2023 over FY 2022. The said loans and advances were repaid during FY 2023 by M/s. Shanthala Enterprises accordingly our requirements of working capital for “Short Term Loans & Advances and Others” went down by Rs. 54.04 Lakhs Considering above 2 points, working capital requirement coming from Current Assets reduced by an overall amount of Rs. 33.23 Lakhs despite increase in turnover and sundry debtors’ amount due to reduction in “Short Term Loans & Advances and Others.
Current Liabilities		
4	Trade payables	Our trade payables have been for 2 days, 2 days and 4 days for Fiscal 2021, 2022 and 2023 respectively as we cater to large FMCG Companies from whom we have to buy their products almost on cash basis. As visible from the above, availment of higher credit period from suppliers during FY 2023 as compared to earlier years has reduced working capital requirement by Rs. 23.26 Lakhs in FY 2023. Accordingly, we estimate to maintain payables at 4 days for Fiscal 2024 & Fiscal 2025.
5	Other current liabilities and Short term provisions	Other current liabilities include provisions, statutory dues, expenses payable etc. and Short term provisions include Income tax provision. The reason for decrease in Short Term loans and Advances is due to repayment of outstanding money by Shanthala Enterprises during FY 2023 and the reason for increase in Current Liabilities and Provisions is higher provision of Income tax in line with increase in profitability of the Company. In FY 2023, there was an increase of Rs. 19.52 Lakhs in “Other Current Liabilities & Provisions” which was mainly due to increase of Income Tax provision by Rs. 15.31 Lakhs which has contributed to reduction in working capital requirement. Considering all the above reasons, our working capital requirements during FY 2023 compared to FY 2022 has reduced by Rs. 76.01 Lakhs.

BUSINESS OVERVIEW

The following information shall be amended and/ or updated and/or added under the chapter titled “Business Overview” beginning from page 78 of the Draft Prospectus:

Overview

We were operating our distributorship business through two proprietary firms viz. M/s. Shanthala Enterprises – Prop. Mrs. Sharada Malya and M/s. Shanthala Traders – Prop. B. Manjunath.

M/s. Shanthala Traders – Prop. B. Manjunath, was started in 1996 as a proprietorship firm, committed to provide its customers with quality products in a time bound manner. We have incorporated Shanthala Traders Private Limited in 2014 and transferred entire business of M/s. Shanthala Traders, proprietary concern to the Company and business of M/s. Shanthala Traders, proprietary concern was discontinued. The Company strives to bring the best global products to its customers by providing last mile connectivity to large consumer product companies.

M/s. Shanthala Enterprises– Prop. Mrs. Sharada Malya is still existing as on the date and carries on distribution business in different geography viz. Kushal Nagar. For further details of our conflict with M/s. Shanthala Enterprises, please refer to Risk Factor no. 11 under Risk Factors section on page 22, Promoter Chapter under Section “Common Pursuits” on page 104, “Entities forming part of Promoter group” on page 106 and Group Entities Chapter under Section “Common Pursuits” on page 107 of this Draft Prospectus.

We give below breakup of revenue from sale of ITC products:

Type of Products	FY 2021	FY 2022	FY 2023
Tobacco products	2044.89	1816.35	2529.78
Non-Tobacco products	665.94	537.10	709.98
Total	2710.83	2353.45	3239.76

(Rs. In Lakhs)

Methods and process of acquisition of business/clients and long-term relationships with clients

Our long-standing relationship with customers has helped us to become a channel partner of choice for our suppliers. This in turn has helped us

- To onboard large consumer product companies who wants to partner with strong distributor for their products; and
- Retaining clients with on-time deliveries of quality products and providing them with better trade incentives.

We often don't have any long-term agreement with our suppliers or clients, our business is driven with relationship which rests on our consistent ability to deliver. We had been serving large companies since our inception and have relation with our clients for more than 20 years we have been associated with ITC since 2007 we have onboarded Hindustan Unilever Ltd (HUL) as one of our suppliers during August 2023.

Details of agreements/ relationship with suppliers.

There is no long-term agreement with our suppliers. As per the trade practice, some companies may insist on signing of an agreement and some may not; this is driven by internal policies of the companies. We have long standing relationship with our suppliers which are based upon our past business performance. The fact that we have been associated with ITC for more than 15 years with-out any formal agreement clarifies our position in the trade. We have entered into a “Redistribution Stockist Agreement” with Hindustan Unilever Limited (HUL) dated September 08, 2023 valid for a period of 5 years from September 08, 2023 for distribution of all existing as well as future products offered by HUL.

Logistics arrangements

It's our supplier's responsibility to deliver goods to our godown where it's sorted for deliveries as per customer orders. We use our own vehicle for managing most of the deliveries to our customers.

Inventory Management

We don't maintain large inventory at our premises, we place our orders as per requisition received from our clients. We use proprietary software from our suppliers for inventory management.

Insurance

Our Company has taken the below mentioned insurance policies:

Sl. No.	Name of the Insurer	Type of Policy	Risk covered	Insurance amount (Rs.)	Valid upto
1	ICICI Lombard General Insurance Company Limited	ICICI Bharat Sookshma Udham Suraksha	Finished good Stocks against Fire & Burglary	2,50,00,000	02/07/2024
2	National Insurance Company Limited	Vehicle Insurance	Vehicle No. KA-12-B-2612	2,25,000	28/10/2023
3	New India Assurance Co. Limited	New India Bharat Sookshma Udham Suraksha Policy	Furniture & Fixtures, Other equipment and Plant & Machinery situated at property owned by the Company	54,95,000	16/06/2024

HISTORY AND CERTAIN CORPORATE MATTERS

The Promoters of our Company are B. Manjunath Mallya, Shobitha Malya, Yogish Mallya and Sneha Vinayak Kudva.

The following information shall be amended and/ or updated and/or added under the chapter titled “History and Certain Corporate Matters” beginning from page 90 of the Draft Prospectus:

Major Events and Milestones

The table below sets forth some of the key events in the history of our Company:

Financial Year	Event
2014	Incorporation of our Company.
2017	Distribution of products for ITC Limited
2020	Distribution of products of M. K. Agrotech Private Limited and MTR products Company
2023	Entered into an agreement Hindustan Unilever Limited and also started distribution of products for Hindustan Unilever Limited
	Converted Company to Limited

Details regarding acquisition of business/undertakings, mergers, amalgamations, and revaluation of assets

Except as mentioned below, our Company has not acquired any business or undertaking, and has not undertaken any merger, amalgamation, or revaluation of assets:

M/s. Shanthala Traders – Prop. B. Manjunath, was started in 1996 as a proprietorship firm, committed to provide its customers with quality products in a time bound manner. We have incorporated Shanthala Traders Private Limited in 2014 and transferred entire business of M/s. Shanthala Traders, proprietary concern to the Company and business of M/s. Shanthala Traders, proprietary concern was discontinued.


OUR PROMOTERS AND PROMOTER GROUP

The following information shall be amended and/ or updated and/or added under the chapter titled “Our Promoters and Promoter Group” beginning from page 103 of the Draft Prospectus:

Individual Promoter:

4. Sneha Vinayak Kudva

Details of our Promoters

	<p>Sneha Vinayak Kudva, aged 46 years is the Promoter. She has done Bachelor of Business Management from Mangalore University. She has 15 years of experience in accounts and administration. She has been working as Chief Financial Officer at Virtuous Capital Limited for last 15 years. Other than shareholder she has no role in the activities of Shanthala.</p> <p>As on date of the Prospectus, Sneha Vinayak Kudva holds 11,91,400 Equity Shares representing 24.16% of the pre-issue paid-up share capital of our Company.</p>
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Declaration: We confirm that the PAN, bank account number and passport number and other applicable details of our Promoters will be submitted to NSE on whose EMERGE Platform the Equity Shares are proposed to be listed at the time of filing this Prospectus.

OUR PROMOTER GROUP

In addition to the Promoters named above, the following individuals and entities form part of the Promoter Group:

A. Individuals forming part of Promoter Group:

Relationship	Sneha Vinayak Kudva
Father	B. Pundalika Mallya
Mother	Sharada Malya
Spouse	Vinayak Kudva
Brother	B. Manjunath Mallya; Yogish Mallya
Sister	Vidya Kamath G
Son	Hrishikesh Kudva
Daughter	Anushri Kudva
Spouse's Father	Deceased
Spouse's Mother	Vasanthi Kudva
Spouse's Brother	Santosh Kudva
Spouse's Sister	-

B. Entities forming part of Promoter Group:

Companies

Virtuous Capital Limited

LLPs

Nil

Partnership Firms

Nil

H.U.F.

Nil

Proprietary concern

Nil

FINANCIAL STATEMENTS

Annexure II
STATEMENT OF PROFIT & LOSS AS RESTATED

(₹ in Lakhs)

Particulars	Note No.	31.03.23	31.03.22	31.03.21
Income				
Revenue from Operations	II.1	4,051.59	3,225.87	3,929.64
Other Income	II.2	25.66	28.70	26.03
Total Revenue		4,077.25	3,254.57	3,955.67
Expenditure				
Cost of Goods Sold	II.3	3,935.81	3,132.55	3,810.31
Employee Benefit Expenses	II.4	49.01	45.46	36.40
Other Expenses	II.5	23.48	28.57	43.50
Total (B)		4,008.30	3,206.58	3,890.21
Profit Before Interest, Depreciation and Tax		68.95	47.99	65.46
Depreciation and Amortisation Expenses		1.78	1.70	1.49
Profit Before Interest and Tax		67.17	46.29	63.97
Financial Charges	II.6	40.92	39.94	43.98
Profit before Taxation		26.25	6.35	19.99
Provision for Taxation		8.46	1.83	5.58
Provision for Deferred Tax		0.06	0.00	0.00
Total Taxes		8.52	1.83	5.58
Profit After Tax but Before Extra ordinary Items		17.73	4.52	14.41
Extraordinary Items		0.00	0.00	0.00
Prior Period Items - Tax		0.00	0.00	0.00
Net Profit after adjustments		17.73	4.52	14.41
Net Profit Transferred to Balance Sheet		17.73	4.52	14.41

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information shall be amended and/ or updated and/or added under the heading Comparison of FY 2023 with FY 2022 in the chapter titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning from page 135 of the Draft Prospectus:

Revenue from operations

Apart from the drop in the activities due to Covid related restrictions, the main reason for dip in the Sales during FY 2022 as compared to FY 2021 because we segregated the distribution business of Kushal Nagar area to our group entity M/s. Shanthala Enterprises proprietorship of Mrs. B. Sharada Malya, mother of our Promoter, as our distributor did not allow the distributorship in two geographies in the same name. The Sales amount relating to that area was Rs.1200 Lakhs during FY 2022 in the books of M/s. Shanthala Enterprises. PAT has also decreased in line with drop in Sales. Increase in Sales in FY 2023 compared to FY 2022 is due to full-fledged opening of economy due to release of Covid related restrictions and coming back of tourists to the Coorg has resulted in increase in consumption and in turn Sale.

The Revenue from operations for the FY 2023 was ₹ 4,051.79 lakhs as compared to ₹ 3,225.87 lakhs during the FY 2022 showing an increase of 25.60%. This increase is mainly due to increase in volume of business.

Other Income for the FY 2023 and FY 2022 was ₹ 25.66 Lakhs and ₹ 28.70 Lakhs respectively includes mainly Room rent for property of the Company given on lease, Marketing and support services, FD Interest, Insurance claim during FY 2022 etc.

The Total Income for the FY 2023 and FY 2022 was ₹ 4,077.25 Lakhs and ₹ 3,254.57 Lakhs respectively.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

OUTSTANDING DUES TO CREDITORS

The details pertaining to net outstanding dues towards our creditors are available on the website of our Company at www.Shanthalafmcg.com. It is clarified that such details available on our website do not form a part of this Draft Prospectus. Anyone placing reliance on any other source of information would be doing so at their own risk.

GOVERNMENT AND OTHER APPROVALS

The following information shall be amended and/ or updated and/or added under the heading Tax related and Other Business Approvals in the chapter titled “Government and Other Approvals” beginning from page 147 of the Draft Prospectus:

Sr. No.	Authorisation Granted	Issuing Authority	Registration No. / Reference No. / License No.	Applicable Act/Regulation	Valid up to
1.	Trade License	Government of Karnataka	VRP-TL-213857 - 2019-20	Karnataka Municipal Corporation Act, 1976	31.03.2025

DECLARATION

We/ I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, guidelines or regulations issued by the Government of India and the rules, guidelines or regulations issued by the SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Addendum to Draft Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made, or regulations or guidelines issued thereunder, as the case may be. We/ I further certify that all the disclosures and statements made in this Addendum are true and correct.

Name and designation	Signature
B. Manjunath Mallya <i>Chairman & Managing Director</i>	Sd/-
Shobitha Malya <i>Executive Director</i>	Sd/-
Smita Arjun Patil <i>Independent Director</i>	Sd/-
Ravikant Moreshwar Mhatre <i>Independent Director</i>	Sd/-
Shivani Shivshankar Tiwari <i>Independent Director</i>	Sd/-

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR COMPANY

Yogish Mallya

Sd/-

Place: Coorg

Date: October 11, 2023