

Date: September 30, 2020

To,  
Foreign Exchange Department  
Reserve Bank of India  
2<sup>nd</sup> Floor, 10/3/8, Nrupathunga Road  
Post Box No. 6768, Bengaluru – 560 001

**Dear Sir/Madam,**

This letter is being issued by 10i Commerce Services Private Limited (“**Company**”) in relation to the requirement under the Press Note No. 2 (2018 Series) dated December 26, 2018 (“**PN 2**”), which is effective from February 1, 2019.

The Company hereby certifies that it is in compliance with the conditions specified in PN 2, which are applicable to the Company for the time period April 01, 2019 to March 31, 2020. This is evidenced by the report of the statutory auditor (i.e. Varma & Varma bearing FRN 004532S) of the Company. The report is annexed to this letter.

## **10i Commerce Services Private Limited**

APOORVA  
BANIGA  
VENKATESH JOIS

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Apoorva Baniga Venkatesh Jois  
Director  
DIN: 07103823

**INDEPENDENT AUDITORS REPORT**

To,  
The Board of Directors,  
10i Commerce Services Private Limited,  
Bangalore.

***Sub: Report on Compliance with guidelines issued under Press Note 2/2018("PN 2") by  
Department of Industrial Policy and Promotion ("DIPP")***

1. This Report is issued in accordance with the terms of our engagement letter dated April 25, 2019 with 10i Commerce Services Private Limited (the "Company" or "Marketplace Entity")
2. Press Note 2 issued on December 26, 2018 read with clarification regarding PN 2 issued on January 4, 2019 ("DIPP Clarification") by DIPP of the Ministry of Commerce and Industry, Government of India, amended the policy regarding foreign direct investment in entities engaged in the marketplace of e-commerce as set out in paragraph 5.2.15.2 of the Consolidated FDI Policy of the Government of India, issued by DIPP, Ministry of Commerce and Industry on August 28, 2017 ("FDI policy"). Such amendments have come into force and in effect from February 01, 2019.
3. The report is issued on accompanying statement of compliance with the guidelines issued under Press Note No. 2 referred above on Foreign Direct Investment in e-commerce for the period April 01, 2019 to March 31, 2020 (hereinafter referred together as "the Statement").

**Management's Responsibility for the Statement**

4. The Board of Directors of the Company are responsible for ensuring the compliance with the requirements of the terms contained in Press Note No. 2 (2018 Series) dated December 26, 2018 issued by the DIPP on Foreign Direct Investment in the Company. This responsibility of the Management also includes the design, implementation and maintenance of internal control relevant to ensure compliance with said guidelines and maintenance of records supporting the Company's compliance with PN 2 for the compliance period of April 01, 2019 to March 31, 2020.

**Independent Auditor's Responsibility**

5. We have carried out our engagement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI") as well as other applicable pronouncements of the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. The Board of Directors are responsible for ensuring compliance with PN 2 and DIPP clarification during compliance period. The Board of Directors are also responsible for maintenance of records supporting the Company's Compliance.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements.

## Opinion

7. As per the information and explanations given to us by the Company and based on our examination of the unaudited books of account and records as well as the legal memos obtained by the company, we are of the opinion that as per the attached Statement of Compliance as certified by the Company, the Company has complied with the guidelines issued under Press Note 2 (2018 series) in respect of the marketplace transactions undertaken by the Company during the period April 01, 2019 to March 31, 2020.

## Restriction on Use

8. The report is addressed to and provided to the Board of Directors of the Company solely for the purpose to enable the Company to comply with the requirements of PN 2 to furnish to the Reserve Bank of India and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

Place: Bengaluru  
Date: 30 September 2020

**For VARMA & VARMA,**  
Chartered Accountants  
FRN 004532S

**Srinivas  
K P**

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**K P SRINIVAS**  
Partner

M. No. 208520

UDIN: 20208520AAAANB8212

**STATEMENT OF COMPLIANCE WITH THE GUIDELINES ISSUED UNDER PRESS NOTE 2 (2018 SERIES) (“PN 2”) BY DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION, IN RESPECT OF TRANSACTIONS FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020.**

Sl. No.	Requirement of PN 2	Compliance status
1	<b>Clause (i)</b> – Digital & electronic network will include network of computers, television channels and any other internet application used in automated manner such as web pages, extranets, mobiles etc.	The Company enables an e-commerce marketplace platform which can be accessed on Computers and smart phones including tablets.
2	<b>Clause (ii)</b> – Marketplace e-commerce entity will be permitted to enter into transactions with sellers registered on its platform on B2B basis.	As a part of seller KYC and on-boarding process, the Company has ensured that the sellers are registered on its e-commerce platform for doing B2B business only.
3	<b>Clause (iii)</b> - E-commerce marketplace may provide support services to sellers in respect of warehousing, logistics, order fulfilment, call centre, payment collection and other services.	The Company provides order fulfilment and other services to sellers listed on the Company’s e-commerce marketplace platform.
4	<b>Clause (iv)</b> – E-Commerce entity providing a marketplace will not exercise ownership or control over the inventory of the goods i.e. goods purported to be sold. Such an ownership or control over the inventory will render the business into inventory-based model. Inventory of a vendor will be deemed to be controlled by e-commerce marketplace entity if more than 25% of purchases of such vendor are from marketplace entity or its group companies.	<p>The term ‘Vendor’ includes only the seller on e-commerce marketplace platform operated by the Company; and that the 25% criterion is to be tested on value of sales made by the Company.</p> <p>The Company does not exercise ownership or control over goods which are being sold through the e-commerce marketplace platform on B2B basis.</p> <p>Based on the declarations obtained from the sellers on the e-Commerce Platform, the Company confirms that purchases made by these vendors from the Company, who are selling through its e-commerce platform are not exceeding 25% of their total purchases.</p>
5	<b>Clause (v)</b> – An entity having equity participation by e-commerce marketplace entity or its group companies or having control on its inventory by e-commerce marketplace entity or its group companies, will not be permitted to sell its products on the platform run by such marketplace entity.	The Company or its group companies does not have any equity participation in any of the sellers on its e-commerce marketplace platform.
6	<b>Clause (vi)</b> – Goods/services made available for sale electronically on website should clearly provide name, address and other contact details of the seller Post sales, delivery of goods to the customers and customer satisfaction will be responsibility of the seller.	<p>In respect of goods / services sold through the e-commerce marketplace platform, the requisite details of the sellers, their name, address and other contact details are provided on the e-commerce marketplace platform.</p> <p>The delivery of goods to the customers and customer satisfaction is the responsibility of the seller registered on the e-commerce marketplace platform.</p>

7	<b>Clause (vii)</b> - Payments for sale may be facilitated by the e-commerce entity in conformity with the guidelines of the RBI.	The Company has complied with guidelines of the RBI in respect of payment for sale made on the e-commerce marketplace platform.
8	<b>Clause (viii)</b> – Warranty / guarantee of goods and services sold will be responsibility of the seller.	Warranty / guarantee of goods and services sold on the e-commerce marketplace platform is the responsibility of the seller on the e-commerce marketplace platform. The Company has not incurred any cost towards warranty / guarantee of goods sold / services rendered through its platform.
9	<b>Clause (ix)</b> – E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or service and shall maintain level playing field. Services should be provided by e-commerce marketplace entity or other entities in which e-commerce marketplace entity has direct or indirect equity participation or common control, to vendors on the platform at arm’s length and in a fair and non-discriminatory manner. Such services will include but not limited to fulfilment, logistics, warehousing, advertisement / marketing, payments, financing etc. cash back provided by group companies of marketplace entity to buyers shall be fair and non-discriminatory. For the purposes of this clause, provision of services to any vendor on such terms which are not made available to other vendors in similar circumstances will be deemed unfair and discriminatory.	The transactions through the e-commerce marketplace platform are based on sale prices approved by seller and the Company does not influence the price charged.  The Company has a seller on-boarding process which includes signing an agreement with the seller and that the same terms and conditions are offered and communicated to all sellers.
10	<b>Clause (x)</b> – Guidelines on Cash and carry wholesale trading as given in para 5.2.15.1.2 of consolidated FDI policy circular 2017 will apply to B2B e-commerce.	In respect of B2B transactions, the Company has complied with the guidelines issued by the RBI in relation to the FDI policy circular 2017.
11	<b>Clause (xi)</b> – E-commerce marketplace entity will not mandate any seller to sell any product exclusively on its platform only.	The Company does not mandate any seller to sell any product exclusively on its platform. This is also validated by the terms of its contracts with the sellers as no such conditions are mentioned in these agreements.

The Company confirms that the information furnished above is true and correct and that it complies with the guidelines under Press Note No. 2 (2018 Series) issued by the Department of Industrial Policy and Promotion (“DIPP”) in respect of its marketplace transactions for the period April 01, 2019 to March 31, 2020.

## For 10i Commerce Services Private Limited

APOORVA BANIGA  
VENKATESH JOIS

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**Director**

Place: Bengaluru

Date: 30 September 2020