



CERTIFICATE ON FINANCIAL INDEBTEDNESS

Date – 26.09.2024

To,

The Board of Directors

Deepak Builders and Engineers India Limited,

Ahluwalia Chambers, 1st Floor,

Plot No. 16 & 17, Local Shopping Centre,

Madangir, Near Pushpa Bhawan,

New Delhi, Delhi, India, 110062

Re: Proposed initial public offering of equity shares of face value of Rs. 10 each (“the Offer”) of to Deepak Builders & Engineers India Limited (the “Company”) in accordance with the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI ICDR Regulations”), and other applicable laws, as amended.

We, Parmod G Gupta & Associates, Chartered Accountants, Ludhiana, FRN – 018870N, the present statutory auditors of the Company, have been informed by the Company that it proposes to undertake the Offer in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“ICDR Regulations”) and the Companies Act, 2013, as amended (“Companies Act”). We have received a request from the Company to provide certain confirmations in relation to financial indebtedness of the Company and detail of the loans wherein personal guarantee have been given by our Promoters.

Our engagement has been undertaken in accordance with the Standard on Related Services (SRS) 4400 (“SRS 4400”) “Engagements to Perform Agreed-upon Procedures regarding Financial Information”, issued by the Institute of Chartered Accountants of India. SRS 4400 is generally adopted to perform agreed upon procedures regarding financial information, however, this standard can also be used as a guide to perform agreed upon procedures regarding non-financial information.

We have reviewed the restated financial statements of the Company as on June 30, 2024 and for the Fiscals 2024, 2023 and 2022, which was audited in accordance with the Companies Act, 2013, as amended and the rules framed thereunder, the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India and restated in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the “**Restated Financial Statements**”).

In this regard, we have obtained and reviewed the various documents related to indebtedness of the company, as on August 31, 2024 and compared the amount as per such schedule with the Restated Financial Statements as at June 30, 2024, of the Company, to confirm the accuracy and completeness of such amounts to the extent applicable. We have also reviewed the ledger accounts of the loans, loan documentations undertaken by the company, sanction letters, bank statements, repayment schedule, CHG-1 filed with ROC and other documents that we have deemed necessary in this regard.



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The Company has availed fund-based facility consisting of Cash Credit, Working Capital Term Loans, Commercial Equipment, Vehicle Loans, Business Loans, Unsecured Loans etc. and non-fund-based facilities consisting of Bank Guarantee and Letter of Credit in the ordinary course of business for purposes such as, inter alia, meeting our working capital or business requirements.

(a) Set forth below is a brief summary of our aggregate outstanding borrowings amounting to ₹4,849.57 million, as on August 31, 2024 –

(₹ in millions)

Category of Borrowing	Sanctioned Amount (to the extent applicable)*	Amount outstanding as on August 31, 2024
Secured Loan		
(a) Fund based facilities		
Term loans (including BG converted to Term Loans)	1,180.48	903.98
Working capital facilities including Cash Credit	560.00	541.34
Machinery & Vehicle Loans	246.73	133.45
(b) Non-fund based facilities		
Bank guarantee & Letter of Credits	3,580.00	3,155.34
Unsecured Loan		
From Banks and Financial Institutions	92.22	64.14
Loan from Director	--	16.34
Loan from Others	34.98	34.98
Total borrowings	5,694.41	4,849.57

All indicative key terms of our borrowings are disclosed below:

- **Tenor and interest rate:** The tenor of the fund based and non-fund-based facilities ranges from 90 days to 12 years. The interest rates for the facilities are typically linked to benchmark rates varying from 7.00% p.a. to 17.00% p.a., such as the repo rate prescribed by the RBI, treasury bill rate and marginal cost of funds-based lending rate ("MCLR") of the specific lender plus a spread per annum is charged above these benchmark rates.
- **Security:** In terms of our borrowings where security needs to be created, we are typically required to create security by way of charge on immovable assets (both present and future), current assets, receivables, all stock of raw materials (both present and future), work in progress, finished goods, and book debts. Further, facilities availed by our company are secured by personal guarantees of Deepak Kumar Singal, Sunita Singal and Akash Singal.
- **Repayment:** Our facilities are typically repayable within 90 days to 12 years or are repayable on demand
- **Prepayment:** Certain loans availed by our Company have prepayment provisions which allows for prepayment of the outstanding loan amount and sometimes carry a pre-payment penalty on the pre-paid amount or on the outstanding amount subject to terms and conditions stipulated under the loan documents. Some of our loan agreements require us to pay prepayment penalties.





- **Penal Interest:** We are bound to pay additional interest to our lenders for defaults in the payment of interest or other monies due and payable. This additional interest is charged as per the terms of our loan agreements and is typically 2% to 4% over the applicable interest rate.
- **Restrictive Covenants:** As per the terms of our loan agreements, certain corporate actions for which our Company requires prior written consent of the lenders include:
 - a) Change in control/ownership/management/directorship/partnership including resignation of promoter directors (including key managerial personnel) of our Company
 - b) Amending the constitutional documents of our Company;
 - c) Effecting any changes to the capital structure or shareholding pattern of our Company;
 - d) Dilution of Promoter's shareholding below its current level or 51% of the controlling stake (whichever is lower);
 - e) Approaching capital market for mobilizing additional resources either in the form of debt or equity;
 - f) Enter into any scheme of merger, amalgamation, compromise or reconstruction or do a buyback; and
 - g) Undertaking any new business, operations or projects or substantial expansion of any current business, operations, or projects.
 - h) Sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the Bank However, fixed assets to the extent of 5% Gross Block may be sold in any financial year provided such sale does not dilute FACR below minimum stipulated level. (Not applicable for unsecured loans)
 - i) Undertake any trading activity other than the sale of products arising out of its own manufacturing operations
- **Events of Default:** Our borrowing arrangements prescribe the following events of default, including among others:
 - a) If failed to pay to the bank any amount when due and payables.
 - b) Default in repayment of loan facility;
 - c) If all or material part of business is suspended or ceases to exist;
 - d) If failed to submit requisite number of PDCS or if any of the PDC is dishonoured.
 - e) If the loan is used for any other purpose other than the purpose for which the loan is sanctioned;
 - f) Bankruptcy, insolvency, dissolution;
 - g) Breach in any other loan/ facility agreement;
 - h) Jeopardise or likely to prejudice, impair, depreciate any security;
 - i) Relevant asset is destroyed, or is stolen or untraceable for 30 days;
 - j) Asset is confiscated, attached, taken into custody by any authority or subject to any execution proceeding;
 - k) Failure to supply certified true copy of the registration;
 - l) Misleading information and representations;
 - m) Default under any other financing arrangements of our Company;





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- n) Asset is used or alleged to be used for any illegal purposes or activity;
- o) If the Company is adjudicated insolvent or taking advantage of law for the relief of insolvent debtors;
- p) Any of the cheques delivered or to be delivered by the Borrower to the Bank in terms and conditions hereof is not encashed for any reason whatsoever on presentations;
- q) Any other occurrence or existence of one or more events, conditions or circumstances (including any change in law), which in opinion.

(b) Set forth below is a summary of guarantee given by promoters to the third party for availment of credit facilities –

Name of Lender	Type of borrowing/facility	Amount Guaranteed (in ₹ million)	Amount outstanding as on August 31, 2024 (in ₹ million)
Axis Bank Limited	Commercial Vehicle Loan	1.90	1.55
Axis Bank Limited	Business Loan	5.00	1.76
Kotak Mahindra Bank Limited	Business Loan	7.50	2.88
Kotak Mahindra Bank Limited	Business Loan	10.00	7.88
Aditya Birla Finance Limited	Loan Against Property	175.30	165.31
PNB Bank	Cash Credit Limit	500.00	490.57
PNB Bank	Bank Guarantee	3480.00	3085.22
PNB Bank	GECL	59.00	22.13
HDFC Bank Limited	Cash Credit Limit & Bank Guarantee Limit^	740.00	547.62
HDFC Bank Limited	Commercial Equipment Loan	130.00	48.47
HDFC Bank Limited	Term Loan	44.00	36.69
HDFC Bank Limited	WCDL Cash Credit	60.00	60.00
HDFC Bank Limited	GECL	40.00	38.12
HDFC Bank Limited	Commercial Equipment Loan	8.92	7.01
HDFC Bank Limited	Commercial Equipment Loan	8.90	6.53
HDFC Bank Limited	Commercial Equipment Loan	4.26	2.79
HDFC Bank Limited	Commercial Vehicle Loan	3.84	2.73
HDFC Bank Limited	Commercial Vehicle Loan	3.58	2.66
HDFC Bank Limited	Commercial Equipment Loan	3.42	1.82
HDFC Bank Limited	Commercial Equipment Loan	3.29	2.70
HDFC Bank Limited	Commercial Vehicle Loan	3.26	2.58
HDFC Bank Limited	Commercial Vehicle Loan	3.15	2.49
HDFC Bank Limited	Commercial Vehicle Loan	3.15	2.49
HDFC Bank Limited	Commercial Equipment Loan	3.02	2.45
HDFC Bank Limited	Commercial Equipment Loan	3.00	2.38
HDFC Bank Limited	Commercial Vehicle Loan	2.91	1.98
HDFC Bank Limited	Commercial Vehicle Loan	2.85	2.17
HDFC Bank Limited	Commercial Vehicle Loan	2.85	2.17
HDFC Bank Limited	Commercial Vehicle Loan	2.85	2.21
HDFC Bank Limited	Commercial Vehicle Loan	2.85	1.89
HDFC Bank Limited	Commercial Vehicle Loan	2.85	1.89
HDFC Bank Limited	Commercial Equipment Loan	2.67	1.85
HDFC Bank Limited	Commercial Equipment Loan	2.30	1.88
HDFC Bank Limited	Commercial Equipment Loan	2.29	1.92
HDFC Bank Limited	Commercial Equipment Loan	1.99	1.12
HDFC Bank Limited	Commercial Equipment Loan	1.99	1.31





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Name of Lender	Type of borrowing/facility	Amount Guaranteed (in ₹ million)	Amount outstanding as on August 31, 2024 (in ₹ million)
HDFC Bank Limited	Commercial Equipment Loan	1.99	1.30
HDFC Bank Limited	Commercial Equipment Loan	1.93	1.41
HDFC Bank Limited	Commercial Equipment Loan	1.92	1.41
HDFC Bank Limited	Commercial Equipment Loan	1.61	0.93
HDFC Bank Limited	Commercial Equipment Loan	1.61	0.93
HDFC Bank Limited	Commercial Equipment Loan	1.61	0.93
HDFC Bank Limited	Commercial Equipment Loan	1.59	0.72
HDFC Bank Limited	Commercial Equipment Loan	1.59	0.72
HDFC Bank Limited	Commercial Equipment Loan	1.37	0.07
HDFC Bank Limited	Commercial Equipment Loan	1.19	0.89
HDFC Bank Limited	Car Loan	1.10	0.89
HDFC Bank Limited	Commercial Equipment Loan	0.97	0.71
HDFC Bank Limited	Commercial Equipment Loan	0.55	0.32
HDFC Bank Limited	Commercial Equipment Loan	0.55	0.46
HDFC Bank Limited	Commercial Equipment Loan	0.50	0.41
HDFC Bank Limited	Commercial Equipment Loan	0.50	0.41
Findoc Finvest Private Limited	Business Loan	60.00	60.00
Total		5,413.47	4,639.73

**Inclusive of term loan and other limits which are part of Bank Guarantee Limit*

Based on our examination and as per information and explanation given to us, we confirm that the information in this certificate is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

We conducted our examination of the information given in this certificate (including the annexures thereto) in accordance with the 'Guidance Note on Reports or Certificates for Special Purposes' issued by the Institute of Chartered Accountants of India ("ICAI"), as revised from time to time, to obtain a reasonable assurance that such details are in agreement with the books of accounts and other relevant records provided to us, in all material respects; the aforesaid Guidance Note requires that we comply with the ethical requirements of the 'Code of Ethics' issued by the ICAI, as revised from time to time. Further, 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', as revised from time to time.

This certificate is issued for the purpose of the Offer, and can be used, in full or part, for inclusion in the draft red herring prospectus, updated draft red herring prospectus, red herring prospectus, prospectus and any other material used in connection with the Offer (together, the "Offer Documents").

This certificate may be relied on by the BRLM, their affiliates and legal counsel in relation to the Offer and to assist the BRLM in conducting and documenting their investigation of the affairs of the Company in connection with the Offer. We hereby consent to this certificate letter being disclosed by the BRLM, if required (i) by reason of any law, regulation, order or request of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defense in connection



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with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We hereby indemnify and keep indemnified, saved, defended and harmless the BRLM and Legal Counsel to the proposed Offer of the Company and all persons claiming under them ("Indemnified Persons"), from and against all losses and/or damages arising as a result of the aforementioned representations made by us in order to disclose details of the same in the Abridged Prospectus for the Offer or arising as a result of any notices, proceedings, litigations, claims, penalties, demands and costs that may be made and/or raised on the Indemnified Persons by any third parties and/or with regard to any matter arising in connection thereto or otherwise by reason of the matter contemplated herein and/or sustained by the BRLM and/or Legal Counsel to the Offer as a result of any statements, representations, assurances, confirmations hereinunder given being untrue.

Yours Sincerely,

For Parmod G Gupta & Associates,
Chartered Accountants
Firm Reg. No. - 018870N

Parmod Gupta
Parmod Gupta
Partner

Membership No. - 096109
UDIN - 24096109BKDSFV4080



Place: Ludhiana

CC:

Fedex Securities Private Limited
3rd Floor, B Wing, Jay Chambers,
Dayaldas Road, Vile Parle East,
Mumbai - 400057

(*Fedex Securities Private Limited is referred to as the "Book Running Lead Manager" or "BRLM")

Vidhigya Associates
501, 5th Floor, JeevanSahakar Building
Sir P M Road, Homji Street
Fort, Mumbai - 400 001

(*Vidhigya Associates is referred to as the "Legal Counsel to the Offer")