

Independent Auditor’s Certificate on Book Value of Assets of the Company contained in Columns A to J of Statement of Security Cover and Statement of Compliance Status of Covenants in respect of Listed Non-Convertible Debentures of the Sagar Cements Limited for year ended and as at March 31, 2023

To
The Board of Directors
Sagar Cements Limited
Plot No. 111, Road No. 10, Jubilee Hills,
Hyderabad - 500033

1. This certificate is issued in accordance with the terms of our engagement letter dated July 05, 2022.
2. We, Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of Sagar Cements Limited (the “Company”), have been requested by the Management of the Company to certify “Book Value of Assets of the Company contained in Columns A to J of Statement of Security Cover and Statement of Compliance Status of Covenants in respect of Listed Non-Convertible Debentures of the Company for the year ended and as at March 31, 2023” (hereinafter referred together as “the Statement”).

The Statement is prepared by the Company from the audited books of accounts and other relevant records and documents maintained by the Company for the year ended and as at March 31, 2023 pursuant to requirements of Circular no. SEBI/HO/MIRSD/MIRSD_CRADT/CIR/P/2022/67 dated May 19, 2022 issued by Securities and Exchange Board of India in terms of regulation 54 read with regulation 56(1)(d) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Regulation 15(1)(t) of Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 (hereinafter referred together as the “SEBI Regulations”), as amended, for the purpose of submission to IDBI Trusteeship Services Limited, Debenture Trustee of the above mentioned Listed Debt Securities (hereinafter referred to as the “Debenture Trustee”). The responsibility for compiling the information contained in the Statement is of the Management of the Company and the same is initialed by us for identification purposes only.

Management’s Responsibility

3. The preparation of the Statement is the responsibility of the Management of the Company, including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The management of the Company is also responsible for ensuring that the Company complies with all the relevant requirements of the SEBI Regulations and for providing all relevant information to the Debenture Trustees and for complying with all the covenants as prescribed in the Debenture Trust Deed.

Auditor's Responsibility

5. Pursuant to the requirements of Circular no. SEBI/HO/MIRSD/MIRSD_CRADT/CIR/P/2022/67 dated May 19, 2022 issued by Securities and Exchange Board of India, our responsibility for the purpose of this certificate is to provide a limited assurance on whether the Book Value of Assets of the Company contained in Columns A to J of Statement of Security Cover and Statement of Compliance Status of Covenants in respect of Listed Non-Convertible Debentures of the Company for the year ended and as at March 31, 2023 have been accurately extracted and ascertained from the audited books of account and other relevant records and documents maintained by the Company, except in the case of non-financial covenants, for which we have relied upon the management representations.
6. The engagement involves performing procedures to obtain sufficient appropriate evidence to provide limited assurance on the Statement as mentioned in paragraph 5 above. The procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Accordingly, we have performed the following procedures in relation to the statement:

- a) Obtained the Statement from the management.
 - b) Verified that the information contained in the statement, except in the case of non-financial covenants for which we have relied on management representations, have been accurately extracted and ascertained from the audited books of account of the Company for the year ended and as at March 31, 2023 and other relevant records and documents maintained by the Company, in the normal course of its business.
 - c) Verified the arithmetical accuracy of the information included in the statement.
 - d) Reviewed the Debenture Trust Deed to understand the nature of charge (viz. exclusive charge or pari-passu charge) on assets of the Company.
 - e) Obtained Register of Charges maintained by the Company as per the requirements of the Companies Act, 2013 to understand the composition of charges created on assets of the Company.
 - f) Made necessary inquiries with the management and obtained relevant representations in respect of matters relating to the Statement
7. The audited financial statements referred to in paragraph 5 above, have been audited by us, on which we issued an unmodified opinion vide our report dated May 10, 2023. Our audit of these financial statements was conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
 8. In respect of statement of compliance status of covenants, our procedures were limited to the financial covenants as listed in Note 1.1 to the statement. The compliance with respect to non-financial covenants are as certified by the Management of the Company. We have not carried out any other procedures in respect of the non-financial covenants and we have neither ascertained the completeness nor verified the accuracy of such compliances.

9. We conducted our examination and obtained the explanations in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India (ICAI). This Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
10. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Review Historical Financial Information, and Other Assurance and Related Services Engagements.

Conclusion

11. Based on the procedures performed as referred to in paragraph 6, read with and subject to our comments in paragraph 8 above and according to the information and explanations provided to us by the Management of the Company, nothing has come to our attention that causes us to believe that the Book Value of Assets of the Company contained in Columns A to J of Statement of Security Cover and information contained in the Statement of Compliance Status of Covenants have not been accurately extracted and ascertained from audited books of account of the Company for the year ended and as at March 31, 2023 and other relevant records and documents maintained by the Company.

Restriction on Use

12. This certificate is addressed to and provided to the Board of Directors of the Company solely for the purpose of submission to the Debenture Trustee and should not be used by any other person or for any other purposes without our prior consent in writing. 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 certificate is shown or into whose hands it may come without our prior consent in writing.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 008072S)

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CONJEEVARAM

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Date: 2023.06.08
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C Manish Muralidhar
Partner
Membership No. 213649

Place: New Delhi
Date: June 08, 2023
UDIN: 23213649BGVBZK1630

Statement of Security Cover and Statement of Compliance Status of Covenants in respect of Listed Non-Convertible Debentures of the Sagar Cements Limited ("the Company") for the year ended and as at March 31, 2023

Table - I

₹ In Lakhs														
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N	Column O
Particulars	Description of asset for which this certificate relates	Exclusive Charge	Exclusive Charge	Pari-Passu Charge	Pari-Passu Charge	Pari-Passu Charge	Assets not offered as Security	Elimination (amount in negative)	(Total C to H)	Related to only those items covered by this certificate				
		Debt for which this certificate being issued	Other Secured Debt	Debt for which this certificate being issued	Assets shared by pari passu debt holder (includes debt for which this certificate is issued & other debt with pari-passu charge)	Other assets on which there is pari-Passu charge (excluding items covered in column F)		Debt amount considered more than once (due to exclusive plus pari passu charge)		Market Value for Assets charged on Exclusive basis	Carrying / book value for exclusive charge assets where market value is not ascertainable or applicable (For E.g., Bank Balance, DSRA market value is not applicable)	Market Value for Pari passu Assets (Refer note 3)	Carrying value/book value for pari passu charge assets where market value is not ascertainable or applicable (For E.g., Bank Balance, DSRA market value is not applicable)	Total Value (=K+L+M + N)
		Book Value		Yes/ No	Book Value					Relating to Column F				
ASSETS														
Property, Plant and Equipment	Gudipadu Plant	-	23,022	Yes	37,913	55,488	138	-	1,16,561	-	-	75,200	-	75,200
Capital Work-In- Progress		-	10	Yes	577	6,168	-	-	6,755	-	-	-	577	577
Right of Use Assets		-	-	-	-	-	165	-	165	-	-	-	-	-
Goodwill		-	-	-	-	-	3,873	-	3,873	-	-	-	-	-
Intangible Assets		-	-	-	-	-	2,045	-	2,045	-	-	-	-	-
Intangible Assets under Development		-	-	-	-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	60,696	-	60,696	-	-	-	-	-
Loans		-	-	-	-	48	6,983	-	7,031	-	-	-	-	-
Inventories		-	-	-	-	21,399	-	-	21,399	-	-	-	-	-
Trade Receivables		-	-	-	-	15,261	-	-	15,261	-	-	-	-	-
Cash and Cash Equivalents		-	-	-	-	12,102	-	-	12,102	-	-	-	-	-
Bank Balances other than Cash and Cash Equivalents		-	-	-	-	1,919	-	-	1,919	-	-	-	-	-
Others		-	-	-	-	2,545	3,473	-	11,018	-	-	-	-	-
Total		-	23,032	-	38,490	1,19,930	77,373	-	2,58,825	-	-	75,200	577	75,777
LIABILITIES														
Debt securities to which this certificate pertains				Yes	5,769	-	-	-	5,769	-	-	5,769	-	5,769
Other debt sharing pari-passu charge with above debt		not to be filled		-	1,875	-	-	-	1,875	-	-	1,875	-	1,875
Other Debt				-	-	-	-	-	-	-	-	-	-	-
Subordinated debt				-	-	-	-	-	-	-	-	-	-	-
Borrowings				-	-	3,940	-	-	3,940	-	-	-	-	-
Bank				-	4,267	23,480	-	-	27,747	-	-	-	-	-
Debt Securities				-	-	-	-	-	-	-	-	-	-	-
Others	Interest Accrued			-	-	237	-	-	237	-	-	237	-	237
Trade payables				-	-	-	-	23,449	23,449	-	-	-	-	-
Lease Liabilities				-	-	-	-	197	197	-	-	-	-	-
Provisions				-	-	-	-	1,184	1,184	-	-	-	-	-
Others				-	-	-	-	27,708	27,708	-	-	-	-	-
Total				-	4,267	7,881	27,420	52,538	92,106	-	-	7,881	-	7,881
Cover on Book Value (Refer note 4)						4.88								
Cover on Market Value												9.54		9.62
		Exclusive Security Cover Ratio			Pari-Passu Security Cover Ratio									



Notes:

1. The Company has complied with all financial covenants (refer 1.1 below) and non-financial covenants as detailed in Schedule VII of the Debenture Trust Deed except as stated below.

Particulars (refer note (i) below)	Required	Actual*
Current Ratio	1.30 times	0.98
Financial Indebtedness to EBITDA	< 3 times	9.61
Peak Debt Service Coverage Ratio	> 1.3 times	0.83

* These ratios are calculated based on consolidated numbers of Sagar Cements Limited as per the sanction letter.

Note (i)

Current Ratio (times) = Current Assets/ Current Liabilities

Financial Indebtedness to EBITDA = Total debt/ Earning before Interest, Income tax and depreciation and amortisation (EBITDA)

Peak Debt Service Coverage Ratio (Peak DSCR) = (PAT+non-cash items+finance cost)/ Total Indebtness

1.1. The financial covenants are as detailed below:

- Current Ratio
- Liabilities to Tangible Network Ratio
- Financial Indebtedness to EBITDA
- Peak Debt Service Coverage Ratio
- Security Cover

2. The financial information as on March 31, 2023 has been extracted and ascertained from audited books of account of the Company for the year ended and as at March 31, 2023 and other relevant records and documents maintained by the Company.

3. The market values of assets offered as security to the debt for which the certificate is being issued are based on the reports of independent registered valuer appointed by the Company vide their report dated June 10, 2022. The Statutory Auditors have not performed any independent procedures in this regard.

4. The assets of the Company provide coverage of 4.88 times of the interest and principal amount, which is more than the required coverage in accordance with the terms of issue/ debenture trust deed.

5. Additional information as required under Quarterly Compliance Report in relation to the debentures issued by Company pursuant to the debenture trust deed(s) entered into between Company and IDBI Trusteeship Services Limited as amended from time to time:

Particulars	Details
ISIN	INE433R07016
Facility	Non-Convertible Debt Securities
Type of Charge	Part-passu
Sanctioned Amount (₹ in Lakhs)	15,000
Outstanding amount as on March 31, 2023 (₹ in Lakhs)	5,769
Cover Required	125%
Assets Required	7,211
Value of book debts/receivables outstanding as on March 31, 2023 (₹ in Lakhs)#	15,261

Book debt/ receivables represents trade receivables of the Company. The book debt/ receivables balances outstanding as at March 31, 2023 are net of expected credit loss allowance of ₹ 1,385 Lakhs.

For Sagar Cements Limited


K. Prasad
Chief Financial Officer

