

Date: December 7, 2023

To,

The Board of Directors
India Shelter Finance Corporation Limited

6th Floor, Plot No. 15
Sector 44, Institutional Area, Gurgaon
Haryana 122 002, India

ICICI Securities Limited

ICICI Venture House
Appasaheb Marathe Marg, Prabhadevi
Mumbai 400 025
Maharashtra, India

Citigroup Global Markets India Private Limited

1202, 12th Floor
First International Financial Center
G-Block, C54 & 55, Bandra Kurla Complex
Bandra (East), Mumbai 400098
Maharashtra, India

Kotak Mahindra Capital Company Limited

1st Floor, 27 BKC, Plot No. 27
G Block, Bandra Kurla Complex
Bandra (East), Mumbai 400 051
Maharashtra, India

Ambit Private Limited

Ambit House
449, Senapati Bapat Marg
Lower Parel, Mumbai 400 013
Maharashtra, India

(ICICI Securities Limited, Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited, Ambit Private Limited and any other book running lead managers which may be appointed in relation to the Offer are collectively referred to as the “**Book Running Lead Managers**” or the “**BRLMs**”)

Re: Proposed initial public offering of equity shares of face value of ₹ 5 each (“Equity Shares”) by India Shelter Finance Corporation Limited (the “Company”) and such offering (the “Offer”)

We, B.B. & Associates, Chartered Accountants, have been informed that the Company proposes to file the red herring prospectus (“**RHP**”) and the prospectus (“**Prospectus**”) with the Registrar of Companies, Delhi and Haryana at New Delhi (“**Registrar of Companies**” or “**RoC**”) and thereafter file with the Securities and Exchange Board of India (“**SEBI**”), BSE Limited and National Stock Exchange of India Limited (collectively, the “**Stock Exchanges**”), 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**”).

In relation to the Company and its subsidiary, we are an independent firm of chartered accountants, appointed by the Company in terms of our engagement letter dated June 13, 2023 in relation to the Offer. We have received a request from the Company to provide certain confirmations in relation to the loans, advances and working capital facilities

B.B. & Associates

Chartered Accountants

from banks/institutions or any guarantees extended by the Company, and any other financial indebtedness of the Company.

We have examined the following documents:

- (a) the restated consolidated financial statements of the Company for the six months period ended September 30, 2023 and September 30, 2022 and the financial years ended March 31, 2023, March 31, 2022 and restated standalone financial statements for the year ended March 31, 2021 (“**Review Period**”), prepared 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, the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India (“**ICAI**”) and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the “**Restated Consolidated Financial Statements**”);
- (b) relevant records, ledger entries and registers of the Company;
- (c) documents pertaining to the financial indebtedness of the Company, including, *inter alia*, sanction letters issued by the banks/ financial institutions, loan agreements, deeds of hypothecation, memoranda of deposit, other letters and correspondence between the lenders and the Company;
- (d) documents pertaining to balance confirmations received from relevant lenders, for the purpose of issuing this certificate; and
- (e) minutes of the meetings of the Board of Directors of the Company (the “**Board**”), minutes of annual general meetings and extra-ordinary general meetings of the Company, minutes of the meetings of various committees of the Board, return of charge filed by the Company with Registrar of Companies, Delhi and Haryana at New Delhi (“**RoC**”), relevant forms and documents filed with the relevant RoC and the Reserve Bank of India, relevant share transfer forms and other documents and accounts presented to us, bank statements, relevant statutory registers and the books of accounts as prepared and provided by the management of the Company, trial balance as on October 31, 2023.

We performed the above-mentioned procedures, in accordance with the Guidance Note on Audit Reports and Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. Further, for the purpose of this certificate, our scope of work did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such opinion.

Accordingly, we hereby certify that the financial indebtedness information provided in **Annexure A** is true, fair, correct, accurate, not misleading and without omission of any matter that is likely to mislead and adequate to enable investors to make a well-informed decision. Further, we confirm that as on October 31, 2023, except as stated in **Annexure A**, there are no other loans, advances or facilities availed by the Company or any guarantee extended by the Company.

We also confirm that, as on the date of this letter, none of the banks or institutions from whom the Company have availed of debt facilities, have: (i) accelerated payment; and (ii) re-scheduled repayment, of loans, including principle amounts due and interest thereon, of the facilities in full or in part on account of default in the repayment in any instalment or interest due or for violation of any other terms of any of the outstanding loans/ debt facilities granted to the Company. We further confirm that there have been no instances of defaults in repayment in relation to the loans availed from any bank or interest thereon.

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We confirm that the Company and its subsidiary have not provided any guarantees for the repayment of any loans availed by any other entities.

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 hereby confirm that while providing this certificate we have complied with the Code of Ethics and 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, issued by the Institute of Chartered Accountants of India.

This certificate is issued for the purpose of the Offer, and can be used, in full or part, for inclusion in the ,red herring prospectus, prospectus and any other material used in connection with the Offer (together, the “**Offer Documents**”) which may be filed by the Company with SEBI, Stock Exchanges, RoC and / or any other regulatory or statutory authority.

We hereby consent to our name and the aforementioned details being included in the Offer Documents and/or consent to the submission of this certificate as may be necessary, to the SEBI, Registrar of Companies, Stock Exchanges and/or any other regulatory / statutory authority as may be required and/or for the records to be maintained by the BRLMs in connection with the Offer and in accordance with applicable law.

This certificate may be relied on by the Company, the BRLMs, their affiliates and the legal counsel to each of the Company and the BRLMs appointed in relation to the Offer and to assist the BRLMs in conducting and documenting their investigation of the affairs of the Company in connection with the Offer. We hereby consent to this certificate being disclosed by the BRLMs, 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 defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We undertake to immediately communicate in writing any changes to the above information/confirmations, as and when: (i) made available to us; or (ii) we become aware of any such changes, to the BRLMs and the Company until the Equity Shares allotted in the Offer commence trading on the Stock Exchanges. In the absence of any such communication from us, the Company, the BRLMs and the legal advisors appointed with respect to Offer can assume that there is no change to the information/confirmations forming part of this certificate and accordingly, such information should be considered to be true and correct.

All capitalized terms used but not defined herein shall have the meaning assigned to them in the Offer Documents.

Yours Sincerely,

For **B.B. & Associates**
Chartered Accountants
ICAI Firm Registration No: 023670N

Balwan Bansal
Partner
Membership No. 511341
Peer Review Certificate No. 015429
UDIN: 23511341BGVSBF2261

Encl: As above

B.B. & Associates

Chartered Accountants

CC:

Legal Counsel to the Book Running Lead Managers

Cyril Amarchand Mangaldas

3rd Floor, Prestige Falcon Towers
19, Brunton Road
Off M.G. Road, Bengaluru 560 025
Karnataka, India

Legal Counsel to the Company

Shardul Amarchand Mangaldas & Co

Amarchand Towers
216, Okhla Industrial Estate Phase III
New Delhi 110 020

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Annexure A

(in ₹ million)

Category of borrowings	Sanctioned amount	Amount outstanding as on October 31, 2023 ⁽²⁾
Debt securities		
Secured Redeemable Non-Convertible Debentures ⁽¹⁾	1,300.00	1,075.00
Borrowings (other than debt securities)		
Term loans from scheduled banks	30,250.00	19,993.78
Term loans from National Housing Bank (NHB)	9,900.00	5,734.96
Term loans from other financial institutions ⁽³⁾	6,235.10	5,139.07
Liabilities against securitised assets	1,082.32	779.07
Total borrowings	48,767.42	32,721.88

(1) Represents non-convertible debentures of the Company listed on BSE.

(2) Represents principal amount outstanding.

(3) Includes External Commercial Borrowings ("ECB") having sanction amount USD 30 million and outstanding amount USD 30 million converted using exchange rate of INR 83.27.

As on October 31, 2023, our Subsidiary does not have any outstanding borrowings.

Principal terms of borrowings:

- Tenor and Interest:** The tenor of the Company's borrowings range from 30 months to 180 months. Term loans from scheduled banks and other financial institutions carry rate of interest (including hedge cost in case of ECB) ranging from 6.9% to 11.0% per annum. Secured loans from NHB carry interest rate ranging from 2.8% to 8.3%, which is linked to the marginal cost of funds-based lending rate or prime lending rates of the borrowings. Further, the refinance assistance is provided either on a fixed or floating interest rate depending upon NHB's lending rate prevailing for the respective refinance schemes on the date of each disbursement. The interest rate for NCDs ranges from 8.7% to 11.0% per annum, and the interest rate for securitization facilities ranges from 8.7% to 9.3% per annum.
- Security:** In terms of the Company's borrowings and NCDs where security needs to be created, the Company is required to create security by way of hypothecation on the Company's book-debts and receivables. There may be additional requirements for creation of security under the various borrowing arrangements entered into by the Company.
- Repayment:** The repayment period for most term loans and NHB sanctioned refinance facilities ranges from 48 months to 180 months and 60 months to 180 months, respectively. The Company is required to repay the amounts in such instalments as per the repayment schedule stipulated in the relevant loan documentation. Further, the redemption period for the NCDs ranges from 30 months to 60 months.
- Prepayment:** The Company has the option to prepay the lenders, subject to payment of prepayment charges at such rate as may be stipulated by the lenders which ranges from Nil to 2.5%. Further, some loans may be prepaid without any prepayment charges subject to the fulfilment of conditions, including by providing prior notice to the lender. In relation to the NCDs, the Company may be required to redeem the NCDs prior to the expiry of redemption period in accordance with the terms contained in the debenture trust deeds.
- Penal Interest:** The Company is bound to pay additional interest to its lenders for defaults in the payment of interest or other monies due and payable. This additional interest is charged as per the terms of the loan agreements and ranges from Nil to 4.0% over the applicable interest rate.

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- 6. Restrictive Covenants:** As per the terms of the Company's borrowings, certain corporate actions for which the Company requires prior written consent of the lenders include:
- Change in control/ownership/management of the Company;
 - Amending the constitutional documents of the Company;
 - Entering into any scheme for merger, de-merger, arrangement, amalgamation, reconstruction, consolidation;
 - Implementing any scheme of expansion, modernisation, diversification;
 - Effecting any changes to the capital structure or shareholding pattern of the Company;
 - Permit any change in the general nature of the business; and
 - Create encumbrance, lien or dispose of assets charged in favour of the lenders.
- 7. Events of Default:** As per the terms of the Company's borrowings, the following, among others, constitute events of default:
- Failure and inability to pay amounts on the due date;
 - Violation of any covenant of the relevant agreement or any other borrowing agreement;
 - Any material adverse effect which would affect the Company's ability to repay the facilities availed;
 - Bankruptcy, liquidation, insolvency, re-organisation and/or any such analogous event;
 - Cross default under other financing arrangements entered with the lenders; and
 - Any circumstance of expropriation or unlawfulness for continuance of facility.
- 8. Consequences of occurrence of events of default:** In terms of the Company's borrowing arrangements, the following, inter alia, are the consequences of occurrence of events of default, whereby the lenders may:
- Withdrawal or termination of the sanctioned facilities;
 - Seek immediate repayments of all or part of the outstanding amounts under the respective facilities;
 - Initiate legal proceedings for recovery of their dues;
 - Enforce the security over the hypothecated/ mortgaged assets; and
 - Appoint a nominee director on the board of the Company.

This is an indicative list and there may be additional terms that may require the consent of the relevant lender, the breach of which may amount to an event of default under various borrowing arrangements entered into by the Company, and the same may lead to consequences other than those stated above. The Company has obtained the necessary consents required under the relevant loan documentation for undertaking activities in relation to the Offer, including, inter alia, effecting a change in the shareholding pattern, effecting a change in the composition of the Board and amending the constitutional documents.

Listed debt securities of the Company

Details of the non-convertible debentures and sub-debt issued by the Company, as of October 31, 2023, which are currently listed on stock exchanges:

ISIN	Scrip Code	Status	Number of debenture holders	Name of Debenture Trustee	Outstanding amount as on October 31, 2023 (in ₹ million)	Maturity
INE922K07070	973414	Listed	1	Catalyst Trusteeship Limited	300.00	August 31, 2026
INE922K07062	973263	Listed	12	Catalyst Trusteeship Limited	500.00	December 27, 2023
INE922K07096	973589	Listed	2	Catalyst Trusteeship Limited	275.00	March 23, 2025