

# PGS & Associates

Chartered Accountants

103, Vatsalya Building, 3<sup>rd</sup> Lane, Hindu Colony, L N Road, Dadar (East), Mumbai- 400014

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## CERTIFICATE ON FINANCIAL INDEBTEDNESS

Date: 16/09/2024

To,  
The Board of Directors  
Diffusion Engineers Limited  
T-5 & T-6, Nagpur Industrial Area, MIDC,  
Hingna, Nagpur -440016 Maharashtra

Unistone Capital Private Limited  
A/ 305, Dynasty Business Park,  
Andheri-Kurla Road, Andheri East,  
Mumbai – 400 059, India.

(Unistone Capital Private Limited referred to as the “Book Running Lead Manager”)

Dear Sir(s):

**Sub: Proposed initial public offering of equity shares (“Equity Shares”) of face value of ₹ 10/- each of Diffusion Engineers Limited (the “Company” and such initial public offering, the “Issue”)**

This is to certify that the financial indebtedness of the Company as on July 31, 2024, as contained in ‘Annexure A’ hereto is true, fair and correct, not misleading and without omission of any matter that is likely to mislead, and adequate to enable investors to make a well informed decision and, accordingly may be incorporated in the Red Herring Prospectus/ Prospectus to be filed by the Company with the Registrar of Companies, Maharashtra at Mumbai (“RoC”), Securities and Exchange Board of India, (“SEBI”), and the BSE Limited, the National Stock Exchange of India Limited (together, the “Stock Exchanges”), with respect to the said Issue.

We have verified the restated financial statements of the Company as at and for the financial years ended March 31, 2024, March 31, 2023 and March 31, 2022, loan agreements and sanction letters approved by the banks/ financial institutions, confirmations on outstanding loan amount from group companies, bank statements and bank balance confirmations on outstanding loan amount, returns of charges filed by the Company with the Registrar of Companies, Rajasthan at Jaipur (“RoC”), the minutes of the audit committee meetings, board meetings and shareholders’ meetings of the Company and other relevant records. On the basis of such verification and according to information and explanation given to us, we confirm the following:

1. the Company has not defaulted, at any point of time, from April 1, 2021 till the date of



# PGS & Associates

## Chartered Accountants

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this certificate; and

2. the Company has not delayed in repayment of interest due for the loans outstanding as on July 31, 2024;

Accordingly, we hereby certify that the consolidated 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 date, except as stated in Annexure A, there are no other loans 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 or its associate have availed of debt facilities, have accelerated payment of the facility 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.

The principal terms of the loans and assets charged as security by the Company are stated in **Annexure B**.

Except as stated in **Annexure C**, the Company has not provided any guarantees for the repayment of any loans availed by other entities.

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,' issued by the ICAI. We have conducted our examination in accordance with the 'Guidance Note on Reports or Certificates for Special Purposes' issued by the Institute of Chartered Accountants of India ("ICAI") which requires that we comply with ethical requirements of the Code of Ethics issued by the ICAI and in accordance with 'Guidance Note on Reports in Company Prospectuses' (Revised 2019). We hereby confirm that while providing this certificate we have complied with the above guidance notes.

We hereby consent to the aforementioned details being included in the Offer related documents and submission of this certificate as may be necessary, to any regulatory authority and/ or for the records to be maintained by the Company, Book Running Lead Manager in connection with the Offer and in accordance with applicable law.

We undertake to inform you promptly, in writing of any changes to the above information until the Equity Shares commence trading on the stock exchanges where the Equity Shares of the Company are proposed to be listed, pursuant to the Offer. In the absence of any such communication from us, the above information should be considered as updated information until the Equity Shares commence trading on the stock exchanges, pursuant to the Offer. All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Offer Documents. This certificate can be relied upon by the Company,



# PGS & Associates

Chartered Accountants

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Book Running Lead Manager and legal counsel appointed by the Company in relation to the Offer.

Terms capitalized and not defined herein shall have the same meaning as ascribed to them in the Offer Documents.

Sincerely,

**For P G S & ASSOCIATES**  
**Chartered Accountants**  
**Firm Registration No.: 122384W**

*PHGandhi*



**Premal H Gandhi**  
**Partner**  
**Membership No: 111592**  
**Place: Mumbai**  
**Date: 16.09.2024**  
**UDIN: 24111592BKBIQN8287**

# PGS & Associates

Chartered Accountants

## Annexure 'A'

### Statement of Financial Indebtedness as on July 31, 2024

(₹ in Million)

| Category of Borrowings                               | Sanctioned amount | Outstanding amount as at July 31, 2024 |
|--|-------------------|--|
| <b>Secured Loans</b>                                 |                   |  |
| Term Loan  | NIL               | NIL                                    |
| Working Capital Limits                               |                   |  |
| Fund based facilities <sup>#</sup>                   | 470.00            | 186.61                                 |
| Non-Fund based facilities <sup>#</sup>               | 180.00            | 181.41                                 |
|  |                   |  |
| <b>Unsecured Loans (Working Capital Demand Loan)</b> | <b>50.00</b>      | <b>50.00</b>                           |
| <b>Total</b>   | <b>700.00</b>     | <b>418.02</b>                          |

<sup>#</sup> Fund-based facilities sanctioned by our lenders ICICI Bank, DBS Bank and Yes Bank are interchangeable into non-fund based facilities as per the sanctioned terms.



# PGS & Associates

## Chartered Accountants

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### Annexure B

A summary of the principal terms of our borrowings are as set out below. The details provided below are indicative and there may be additional terms, conditions and requirements under the various borrowing arrangements entered into by us:

1. **Tenor:** The working capital facilities have a tenor ranging from 90 days to up to 3 years.
2. **Interest:** The interest rate applicable to our borrowing facilities is typically tied to the lender's lending rate prevailing at the time, as applicable and which may vary for each facility.
3. **Security:** In terms of our borrowings where security needs to be created, we are typically required to:
  - a. Equitable mortgage over the Company's land and building at Unit I, Unit II, Unit III and Unit IV;
  - b. create a pari passu charge by way of hypothecation on entire current assets, present and future, of our Company;
  - c. charge on current asset, movable fixed assets and immovable properties of the Company;
  - d. personal guarantee by our Promoter and Promoter Group Member namely Prashant Garg and Late Narendra Kumar Garg.

The above is an indicative list and there may be additional requirements for creation of security under the various borrowing arrangements entered into by us.

4. **Events of default:** The terms of our borrowings contain certain standard events of default which may attract penal charges, including:
  - a. fails to promptly pay any amount now or hereafter owing to the Bank as and when the same shall become due and payable
  - b. overdue interest/ installment in respect of term loans and over-drawings above the drawing power/ limit in fund based working capital accounts;
  - c. any representation have been false at any time or misleading as of the date on which the same was made or deemed to be made;
  - d. failure in performance of any covenant, condition or agreement;
  - e. breach of financial covenants;



# PGS & Associates

## Chartered Accountants

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- f. the cessation of business by or the dissolution, winding-up, insolvency or liquidation.
5. **Consequences of event of default:** Upon the occurrence of an event of default the lender may levy penal/ interest charges over and above the normal interest applicable in the account.
6. **Negative Covenants:** The borrowing arrangements entered into by us restrict us from carrying out certain actions, including:
  - a. change in the capital structure;
  - b. any change in the capital structure of the Company resulting in dilution of the promoter's shareholding, without the prior permission of the Bank;
  - c. formulate any scheme of amalgamation or reconstruction;
  - d. undertake any new project/scheme without obtaining the Bank's prior consent;
  - e. invest, lend or advance funds to any other concern;
  - f. enter into any borrowing or financing arrangements and any term loans proposed to be obtained from Financial Institutions/Banks;
  - g. issue any corporate guarantee on behalf of any company;
  - h. declare dividend for any year except out of profits relating to that year and after payment of outstanding dues to the lenders;
  - i. make material changes in the management set up without prior approval of the Banks;
  - j. create charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons;
  - k. withdraw/allow to be withdrawn any money brought in by the Company, Promoter or Directors;
  - l. extend loans to Directors/Associates or other companies;
  - m. sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the bank.
  - n. not pay any consideration whether by way of commission, brokerage, fees or in any other form to the guarantors for giving the personal guarantee;

### Annexure C

Details of guarantees for the repayment of any loans availed by other entities:  
NIL

