

Certificate on Objects: Working Capital Requirements

Date: August 12, 2024

To:

Ambit Private Limited

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

Axis Capital Limited

1st Floor, Axis House
C-2 Wadia International Centre
P.B. Marg, Worli
Mumbai – 400 025
Maharashtra, India

(Ambit Private Limited and Axis Capital Limited, collectively referred to as the “Book Running Lead Managers” or the “BRLMs”)

and

The Board of Directors**Interarch Building Products Limited**

B 30, Sector 57,
Noida 201 301
Uttar Pradesh, India

Dear Sir/Madam,

Re: Proposed initial public offering of equity shares (the “Equity Shares”) of Interarch Building Products Limited (the “Company” and such offering, the “Offer”)

In relation to the Company and its affiliates, we, Manian & Rao, Chartered Accountants, are an independent firm of chartered accountants. We have received a request from the Company to provide certain confirmations in relation to the working capital requirements forming part of the objects of the Offer.

We have read the restated financial information of the Company as at and for the financial years ending March 31, 2024, March 31, 2023 and March 31, 2022 and the examination report thereon, prepared in accordance with the Indian Accounting Standards (“Ind AS”), the Guidance Note on Reports in Company’s Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India and the Companies Act, 2013, as amended, and restated in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the “ICDR Regulations”) (the “Restated Financial Information”). We have also obtained and read the business projections (including the key estimates and assumptions which the Company has used for calculating the holding period (in days)) approved by the board of directors of the Company vide their resolution dated July 31, 2024 for the financial years ended March 31, 2025 and March 31, 2026 and other relevant records of the Company as submitted to us, we have also obtained certified true copies of the resolutions passed by the Board of Directors of the Company on July 31, 2024.

Based on the procedures mentioned above, information, explanations provided to us by the management of the Company, we confirm the Company’s working capital and funding pattern compiled on the basis of the Restated Financial Information for the



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financial years ended March 31, 2022, March 31, 2023 and March 31, 2024 (the “**Financials Period**”), as provided in **Annexure A** hereto (the “**Existing Working Capital Requirements and Funding Pattern**”).

Further, we understand that the Company proposes to utilize ₹ 550.00 million of the Net Proceeds (₹ 250.00 million in Fiscal 2025 and ₹ 550.00 million in Fiscal 2026 on a cumulative basis) towards meeting its working capital requirements.

On the basis of Company’s Existing Working Capital Requirements and Funding Pattern, the Board of Directors of the Company pursuant to their resolution dated July 31, 2024 have approved the business plan and financial projections for the financial years ending March 31, 2025 and March 31, 2026 and the estimated working capital requirements and funding pattern for the respective financial years and proposed funding patterns for those financial years as set forth in **Annexure B** and **Annexure C**.

We have compiled the information contained in the **Annexure A** based on the Restated Financial Information examined by the Statutory Auditors of the Company and the information contained in **Annexures B** and **C** based on the Existing Working Capital Requirements and Funding Pattern, the business plan and financial projections and the working capital estimations approved by the Board of Directors of the Company vide their resolution dated July 31, 2024. We have not examined the books of accounts and projections and accordingly, do not express an opinion or any other form of assurance on the working capital estimations and assumptions. Furthermore, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

We have conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India (the “**ICAI**”). 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 Securities and Exchange Board of India (“**SEBI**”), BSE Limited and National Stock Exchange of India Limited (collectively, the “**Stock Exchanges**”), Registrar of Companies, Delhi and Haryana at New Delhi (the “**RoC**”) and / or any other regulatory or statutory authority.

We hereby consent (i) to our name Manian & Rao, Chartered Accountants and the aforementioned details being included in the Offer Documents; and (ii) to the submission of this certificate to any regulatory / statutory/ governmental authority, Stock Exchanges, any other 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. We also consent to the inclusion (if required) of this certificate as a part of ‘*Material Contracts and Documents for Inspection*’ in connection with the Offer, which will be available to the public for inspection and on the website of the Company from the date of filing of the red herring prospectus until the Bid/Offer Closing Date.

This certificate may be relied on by the BRLMs, their affiliates and legal counsel to each of the Company and the BRLMs in relation to the Offer and to assist the BRLMs in conducting and documenting their investigation and due diligence 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 made available to us by the Company in writing, to the BRLMs and the Company until the equity shares allotted in the Offer commence trading on the relevant stock exchanges. In the absence of any such communication from us, the Company, the BRLMs and the legal counsel to each of them 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 Manian & Rao, Chartered Accountants

ICAI Firm Registration No: 001983S



Paresh Daga

Partner

Membership No. 211468

UDIN: 24211468 BKFXSJ3356.



CC:

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Maharashtra, India

Shardul Amarchand Mangaldas & Co

Express Towers

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Mumbai 400 021

Maharashtra, India

ANNEXURE A

Details of working capital requirements and funding pattern of the Company for the financial years ended March 31, 2022, March 31, 2023 and March 31, 2024:

(₹ in million)

Particulars	As at		
	March 31, 2022	March 31, 2023	March 31, 2024
Current Assets			
Inventories			
- Raw Materials	971.37	896.63	938.48
- Work in Progress	149.64	202.13	239.63
- Semi-Finished Goods	190.47	238.33	252.15
- Finished Goods	1.95	1.90	2.59
- Stores & Spares	22.50	23.01	26.43
- Other Inventories	5.35	7.76	9.15
Contract assets	212.46	279.29	352.52
Trade receivables	857.01	1,587.08	1,707.52
Loans	3.37	2.76	6.23
Other financial assets	11.82	10.19	14.22
Current tax assets (net)	56.01	-	-
Other current assets	135.91	196.03	220.36
Total Current Assets (A)	2,617.86	3,445.11	3,769.28
Current Liabilities			
Contract liabilities	875.91	1,060.26	1,163.86
Financial Liabilities			
- Lease liabilities	3.38	5.67	5.05
- Trade Payables	804.59	1,036.60	1,335.64
- Other Financial Liabilities	111.00	118.64	171.53
Provisions	11.58	13.75	16.77
Government Grants	0.15	0.15	0.15
Employee Defined Obligation (net)	15.44	80.00	119.50
Other current liabilities	123.01	120.71	93.79
Liabilities for current tax (net)	11.30	-	-
Total Current liabilities (B)	1,956.36	2,435.78	2,906.29
Net Working Capital Requirements (A)-(B) *	661.50	1,009.33	862.99
Funding Pattern			
A. Cash Credits from Banks	2.87	94.81	90.97
B. Borrowings from related parties	16.50	2.00	-
C. Internal Accruals	642.13	912.52	772.02
Total	661.50	1,009.33	862.99

*Net working capital requirement = Current Assets (excluding cash and cash equivalents and bank balances other than cash and cash equivalents) – Current Liabilities (excluding current borrowings).



Annexure B

The following estimated working capital requirements for the financial years ended March 31, 2025 and March 31, 2026 has been extracted from the resolution of the board of directors of the Company dated July 31, 2024.

Particulars	Estimated as at	
	March 31, 2025	March 31, 2026
<i>(₹ in million)</i>		
Current Assets		
Inventories		
- Raw Materials	1,179.48	1,431.76
- Work in Progress	243.59	283.37
- Semi-Finished Goods	315.56	365.97
- Finished Goods	2.37	2.74
- Stores & Spares	29.58	34.31
- Other Inventories	9.86	11.44
Contract assets	359.94	417.44
Trade receivables	1,972.27	2,333.08
Loans	6.00	7.00
Other financial assets	18.13	18.13
Current tax assets (net)	-	-
Other current assets	310.16	360.74
Total Current Assets (A)	4,446.94	5,265.99
Current Liabilities		
Contract liabilities	1,367.77	1,586.27
Financial Liabilities		
- Lease liabilities	7.06	7.18
- Trade Payables	1,133.14	1,312.12
- Other Financial Liabilities	116.38	128.90
Provisions	15.25	17.90
Government Grants	0.15	-
Employee Defined Obligation (Net)	100.58	112.23
Other current liabilities	118.39	132.19
Liabilities for current tax (net)	51.08	76.77
Total Current liabilities (B)	2,909.80	3,373.56
Net Working Capital Requirements (A)-(B) *	1,537.14	1,892.43
Funding Pattern		
A. Borrowings from banks, financial institution and non-banking financial companies (including bill discounting)	20.25	20.25
B. Internal Accruals	1,266.89	1,322.18
C. Proceeds from the Fresh Issue	250.00	550.00**
Total	1,537.14	1,892.43

*Net working capital requirement = Current Assets (excluding cash and cash equivalents and bank balances other than cash and cash equivalents) – Current Liabilities (excluding current borrowings).

**Cumulative amount for Financial Years ending March 31, 2025 and March 31, 2026.



Holding levels

Provided below are details of the holding levels (days) considered:

Particulars	Actuals			Estimated	
	Financial year ended			Financial year ended	
	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026
Inventories					
- Raw Materials ⁽¹⁾	53	47	41	41	44
- Work in Progress ⁽²⁾	10	9	10	9	9
- Semi-Finished Goods ⁽³⁾	7	7	7	7	7
Contract Assets ⁽⁴⁾	8	8	9	9	8
Trade Receivables ⁽⁵⁾	34	40	46	47	47
Contract Liabilities ⁽⁶⁾	29	31	31	32	32
Trade Payables ⁽⁷⁾	38	36	40	38	32

- (1) Raw Material days is calculated as average raw materials held during the year divided by cost of goods sold over 365 days. Average raw materials is calculated as the average of raw materials at the beginning of the year and end of the year. Cost of goods sold is calculated as cost of raw materials and components consumed plus changes in inventories of finished goods and work in progress.
- (2) Work in progress days is calculated as average work in progress held during the year divided by cost of goods sold over 365 days. Average work in progress is calculated as the average of work in progress at the beginning of the year and end of the year. Cost of goods sold is calculated as cost of raw materials and components consumed plus changes in inventories of finished goods and work in progress.
- (3) Semi-finished goods days is calculated as average semi-finished goods held during the year divided by revenue from operations over 365 days. Average semi-finished goods is calculated as the average of semi-finished goods at the beginning of the year and end of the year.
- (4) Contract Assets days is calculated as average contract assets held during the year divided by revenue from operations over 365 days. Average contract assets is calculated as the average of contract assets at the beginning of the year and end of the year.
- (5) Trade receivable days is calculated as average trade receivables held during the year divided by revenue from operations over 365 days. Average trade receivables is calculated as the average of trade receivables at the beginning of the year and end of the year.
- (6) Contract liabilities days is calculated as average contract liabilities held during the year divided by revenue from operations over 365 days. Average contract liabilities is calculated as the average of contract liabilities at the beginning of the year and end of the year.
- (7) Trade payable days is calculated as average trade payables held during the year divided by total expenses less employee benefit expenses over 365 days. Average trade payables is calculated as the average of trade payables at the beginning of the year and end of the year.



ANNEXURE C

The working capital estimations made by the Company are based on certain key assumptions, as set out below:

S. No.	Particulars	Description
1.	Inventories	<p>Raw Material</p> <p>The Company maintained an inventory of raw material required for 53 days, 47 days and 41 days in Fiscals 2022, 2023 and 2024 respectively. Such inventory is essential for the Company to ensure uninterrupted production. Accordingly, the Company has assumed raw material inventory of 41 days and 44 days of its cost of goods sold for Fiscals 2025 and 2026 respectively.</p> <p>Work-in-Process</p> <p>Historically, work in process inventory has been 10 days, 9 days and 10 days of cost of materials consumed for Fiscals 2022, 2023 and 2024 respectively. Accordingly, the Company has assumed work in process inventory of 9 days of its cost of goods sold for each of the Fiscals 2025 and 2026 respectively.</p> <p>Semi-Finished Goods</p> <p>Historically, inventory of semi-finished goods has been 7 days in each of the Fiscals 2022, 2023 and 2024 respectively. Accordingly, the Company has assumed inventory of semi-finished goods to be 7 days of its revenue from operations for each of the Fiscals 2025 and 2026 respectively.</p>
2.	Contract Assets	Historically, the Company had contract asset days of 8 days each in Fiscals 2022 and 2023 and 9 days in Fiscal 2024. Basis the past trend, contract asset days are expected to continue at 9 days of its revenue from operations for Fiscal 2025 and 8 days of its revenue from operations for Fiscal 2026.
3.	Trade receivables	The Company had trade receivables days of 34 days, 40 days and 46 days in Fiscals 2022, 2023 and 2024, respectively. Based on the typical credit and terms extended to the customers, the Company expects trade receivable days level of 47 days of its revenue from operations for each of the Fiscals 2025 and 2026 respectively.
4.	Contractual liabilities	Historically, the Company had contract liability days of 29 days, 31 days and 31 days in Fiscals 2022, 2023 and 2024, respectively. Based on the past trend, the Company expects contract liability days to continue at 32 days of its revenue from operations for each of the Fiscals 2025 and 2026, respectively.
5.	Trade Payables	The Company had trade payable days of 38 days, 36 days and 40 days in Fiscals 2022, 2023 and 2024, respectively. Based on the historic trend, the Company expects trade payable days level of 38 days and 32 days for Fiscals 2025 and 2026, respectively.

