

## Annexure II

December 14, 2023

### Securities and Exchange Board of India

Corporation Finance Department  
Division of Issues and Listing  
SEBI Bhavan, Plot C4-A, G Block  
Bandra Kurla Complex,  
Bandra (East)  
Mumbai 400 051

Dear Sir/Madam,

**Subject: Rights Issue of equity shares of face value of ₹1 each (the “Equity Shares”) of Hindustan Construction Company Limited (the “Company”) for an amount up to ₹300 crore (the “Issue”)**

We, IDBI Capital Markets & Securities Limited, who has been appointed by the Company as the lead manager (the “**Lead Manager**”) to manage the Issue, confirm as follows:

- (1) We have examined various documents including those relating to litigation, including commercial and arbitration disputes with lenders, etc. and other material while finalising the draft letter of offer dated December 14, 2023 of the subject Issue (“**DLOF**”);
- (2) On the basis of such examination and discussions with the Company, its directors and other officers, other agencies, and independent verification of the statements concerning the objects of the issue, price justification, contents of the documents and other papers furnished by the Issuer, we confirm that:
  - (a) the DLOF filed with SEBI is in conformity with the documents, materials and papers which are material to the Issue;
  - (b) all material legal requirements relating to the issue as specified by SEBI, the Central Government and any other competent authority in this behalf have been duly complied with; and
  - (c) the material disclosures made in the DLOF are true and adequate to enable the investors to make a well informed decision as to the investment in the proposed Issue and such disclosures are in accordance with the requirements of the Companies Act, 2013, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and other applicable legal requirements.
- (3) Besides ourselves, all intermediaries named in the DLOF are registered with the Board and that till date, such registration is valid. – **Complied with**
- (4) We have satisfied ourselves about the capability of the underwriters to fulfil their underwriting commitments. – **Not applicable**
- (5) Written consent from the promoters has been obtained for inclusion of their specified securities as part of the promoters’ contribution subject to lock-in and the specified securities

(Wholly Owned Subsidiary of IDBI Bank Limited)

proposed to form part of the promoters' contribution subject to lock-in shall not be disposed or sold or transferred by the promoters during the period starting from the date of filing the draft offer document/ draft letter of offer with the Board till the date of commencement of lock-in period as stated in the draft offer document/ draft letter of offer. – **Not applicable, since the Issue is a rights issue**

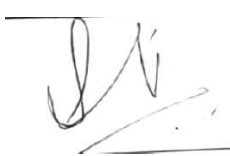
- (6) All applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, which relate to specified securities ineligible for computation of promoters' contribution, have been and shall be duly complied with and appropriate disclosures as to compliance with the said regulation(s) have been made in the draft offer document. – **Not applicable, since the Issue is a rights issue**
- (7) All applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 which relate to receipt of promoters' contribution prior to opening of the issue, shall be complied with. Arrangements have been made to ensure that the promoters' contribution shall be received at least one day before the opening of the issue and that the auditors' certificate to this effect shall be duly submitted to the Board. We further confirm that arrangements have been made to ensure that the promoters' contribution shall be kept in an escrow account with a scheduled commercial bank and shall be released to the issuer along with the proceeds of the issue. – **Not applicable, since the Issue is a rights issue**
- (8) Necessary arrangements shall be made to ensure that the monies received pursuant to the issue are credited or transferred to in a separate bank account as per the provisions of sub-section (3) of section 40 of the Companies Act, 2013 and that such monies shall be released by the said bank only after permission is obtained from all the Stock Exchanges, and that the agreement entered into between the bankers to the issue and the issuer specifically contains this condition. – **Noted for compliance to the extent applicable**
- (9) The existing business as well as any new business of the issuer for which the funds are being raised fall within the 'main objects' in the object clause of the Memorandum of Association or other charter of the issuer and that the activities which have been carried in the last ten years are valid in terms of the object clause of the Memorandum of Association. – **Complied with to the extent applicable**
- (10) Following disclosures have been made in the DLOF:
- (a) An undertaking from the Company that at any given time, there shall be only one denomination for the Equity Shares of the Company, excluding superior rights equity shares, where an issuer has outstanding superior rights equity shares. – **Complied with (the Company has not issued any superior rights equity shares)** and
- (b) An undertaking from the issuer that it shall comply with all disclosure and accounting norms specified by the Board. – **Complied with**
- (11) We shall comply with the regulations pertaining to advertisements in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. – **Noted for compliance**

- (12) If applicable, the entity is eligible to list on the innovators growth platform in terms of the provisions of Chapter X of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. – **Not applicable**
- (13) None of the intermediaries named in this DLOF have been debarred from functioning by any regulatory authority. – **Complied with**

We enclose a note explaining the process of due diligence as **Annexure A** that has been exercised by us including in relation to the business of the issuer, the risks in relation to the business, experience of the promoters and that the related party transactions entered into for the period disclosed in the DLOF have been entered into by the issuer in accordance with applicable laws.

We enclose a checklist as **Annexure B**, confirming regulation-wise compliance with the applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, containing details such as the regulation number, its text, the status of compliance, page number of the DLOF where the regulation has been complied with and our comments, if any.

**For IDBI Capital Markets & Securities Limited**



**Authorized Signatory**

Name: Subodh Gandhi  
Designation: Senior Vice President  
Contact: +91 98196 05305  
Email: subodh.gandhi@idbicapital.com

## ANNEXURE A | PROCESS NOTE

### Note explaining how the process of due diligence has been exercised

We, IDBI Capital Markets & Securities Limited, the Lead Manager have carried out a due diligence exercise in relation to the current business of the Hindustan Construction Company Limited, which is customary in a transaction of this nature and size of the Company with other professionals and experts engaged in connection with the Issue which is being undertaken in compliance with the requirements of Part B of Schedule VI of the SEBI (Issue of Capital and Disclosure Requirements) Regulations (“**SEBI ICDR Regulations**”). The due diligence process carried out by us commenced with interactions with the senior management of the Company for gaining an understanding of the business of the Company on a consolidated basis, key risks involved and financial overview, among other matters.

In relation to the due diligence process, Cyril Amarchand Mangaldas has been appointed as Legal Counsel to the Issue as to Indian law, (the “**Legal Counsel**”) in carrying out due diligence and drafting the draft letter of offer dated December 14, 2023 (“**DLOF**”) in compliance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the “**SEBI ICDR Regulations**”) and other applicable laws, and advised the Lead Manager on other legal matters as appropriate. In this regard, the Company was provided with a due diligence questionnaire and information requisition lists prepared in consultation with the Legal Counsel. In response to the questionnaire and information requisition list, the Company provided us with supporting documents for review.

The Lead Manager was also assisted by the present statutory auditors of the Company, M/s. Walker Chandiook & Co LLP, Chartered Accountants (the “**Statutory Auditors**”), and independent chartered accountants, S Ramanand Aiyar & Co., Chartered Accountants (the “**Independent Chartered Accountant**”).

#### 1. **Business and commercial diligence**

The due diligence process in relation to general business and commercial matters included:

- (a) Providing the Company with a due diligence questionnaire and information request list prepared in consultation with the Legal Counsel. The Company provided the supporting documents, as appropriate, in the data room set-up for this purpose, and provided explanations and supporting documents for review.
- (b) Organizing and attending the meetings to develop an understanding of the business, history and other matters of the Company. The meetings were attended by the senior management of the Company, the Lead Manager and the Legal Counsel. A broad overview of the business of the Company and its Subsidiaries, its industry and financial condition was presented to us during such meeting, following which discussions were held on the same.
- (c) Periodic interaction with key management personnel of the Company (“**KMP**”) and the senior management of the Company, including the Company Secretary and Compliance Officer and representatives in the finance, secretarial and legal departments for the purpose of gaining an understanding of the business, the risks involved and a financial overview of the Company, among other matters. These interactions included (i) due diligence meetings, calls and other conference calls to discuss the disclosures in the DLOF; (ii) due diligence call with the Statutory Auditors and the Independent Chartered Accountant; and (iii) seeking appropriate certification from the directors,

(Wholly Owned Subsidiary of IDBI Bank Limited)

senior management and key managerial personnel of the Company for key operational data and information. These interactions were conducted with the objective of assisting the Company to prepare disclosures as required under the SEBI ICDR Regulations and other applicable laws with regard to the Issue. We expect these interactions and due diligence calls to continue until closure of the Issue.

- (d) Obtaining and relying on certificates, formal representations and/or undertakings by the Company, its Statutory Auditors, Subsidiaries, Promoters, Directors and senior management, and other documents in support of certain disclosures made in the DLOF.
- (e) Interacting with the senior management to understand the Company's day to day operations, key business processes and to verify the disclosures being made in the DLOF.
- (f) Requesting the Company, with the assistance of Legal Counsel, to make available the due diligence documents, and reviewing those documents based on the diligence requirements and requirements under applicable law including the SEBI ICDR Regulations, including supporting documents pertaining to material litigation related documents, material approvals and material agreements, wherever applicable, and reviewing those documents along with the Legal Counsel, as is customary in such transactions.
- (g) Obtaining certifications from the Statutory Auditors and the Independent Chartered Accountant on financial information and the operational data and/or certain financial related information included in the DLOF.
- (h) Obtaining certifications and circle-ups from the Statutory Auditors on the financial information included in the DLOF; and
- (i) Certification/ confirmation/circle-ups from the Independent Chartered Accountant and practicing company secretary for certain financial, operational and secretarial compliance related information included in the DLOF.

## **2. Industry information**

We have relied on industry and market data derived from “*Industry Research Report on Infrastructure sector in India*” dated December 2023 prepared and issued by CARE Analytics and Advisory Private Limited, a Subsidiaries of CARE Ratings Limited. The information contained in certain sections of the DLOF, including “*Industry Overview*” and “*Our Business*” has been included from these reports.

## **3. Financial information of the Company and financial indebtedness**

The Company was originally incorporated on January 27, 1926, as a public limited company. The Audited Consolidated Financial Statements of the Company (for the Fiscals ended March 31, 2023 and March 31, 2022) and the Unaudited Consolidated Financial Statements of the Company (for the six months ended September 30, 2023 and for the six months ended September 30, 2022) have been audited or reviewed by the Statutory Auditors, as the case maybe.

We conducted discussions with the Statutory Auditors, finance team of the Company and reviewed the auditors' reports, annual reports and other related documents. The Statutory

Auditor was required to provide a comfort letter to the Lead Manager confirming certain financial information contained in the DLOF, on the basis of the Audited Consolidated Financial Statements of the Company. The comfort letter will also be issued at time of filing of Letter of Offer and a bring down letter will be issued on allotment of Equity Shares pursuant to the Issue.

We have relied on certification from the Independent Chartered Accountant, being S Ramanand Aiyar & Co., Chartered Accountants in relation to certain financial and operational information included in the DLOF.

Under some of the financing documents, the Company requires consents from certain lenders of the Company for, among others, alteration of capital structure and approaching capital markets for mobilizing additional resources either in form of debt or equity. Pursuant to the consortium meeting dated October 9, 2023 of the lenders, the lenders noted and approved that the Company will be proceeding with the Issue in accordance with the framework agreement dated July 20, 2022 entered into by and between the Company and the Lenders.

**4. *Promoters, Promoter Group, Subsidiaries, Directors, Key Managerial Personnel and Senior Managerial Personnel of the Company***

For the purposes of making certain disclosures with respect to the Promoters, Promoter Group, Subsidiaries, Directors, and the senior management in the DLOF, we have obtained certifications from the relevant entities/ persons.

In addition, we have received confirmation from the Company, the Directors, the Promoter, members of the Promoter Group, and the Subsidiaries stating that they have not been debarred or prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by the SEBI.

**5. *Outstanding litigation and defaults***

We have disclosed outstanding litigation relating to outstanding litigations with respect to the (i) issues of moral turpitude or criminal liability on the part of the Company and/or the Subsidiaries; (ii) material civil litigation involving the Company and its Subsidiaries (including the tax matters); (iii) pending matters involving material violations of statutory regulations by the Company and/or the Subsidiaries; (iv) pending matters involving economic offences where proceedings have been initiated against the Company and/or the Subsidiaries; (v) Any other pending unquantifiable matter, where an adverse outcome may result in material or adverse impact on the operations or the financial position of the Company and its Subsidiaries; and (vi) any pending litigation which has been considered material and reported to the Stock Exchanges in accordance with the “*Policy for Determination of Materiality of Events or Information*” formulated by the Company under the SEBI Listing Regulations. For the purpose of the Issue, in relation to (ii) above, the Company has disclosed such litigations involving an amount equivalent to or in excess of 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of our Company, which is determined to be ₹18.16 crore, as approved by the Rights Issue Committee through its resolution dated September 25, 2023.

For litigation involving the Subsidiaries, we have been provided certifications received from the Subsidiaries.

**6. *Statutory and regulatory diligence***

(Wholly Owned Subsidiary of IDBI Bank Limited)



In connection with diligence of matters relating to statutory and regulatory matters, we have been assisted by the Legal Counsel, and the relevant statutory and regulatory records of the Company, including, among other things, relevant corporate records and filings made by the Company and its Subsidiaries with various statutory and regulatory authorities, have been reviewed. We, along with the Legal Counsel, have regularly interacted with the officials of the Company to understand the various approvals that are necessary by the Company to carry out its business, followed by a due diligence exercise of such approvals. Other material agreements executed by, or in relation to, the Company, and such other documents as deemed necessary and as have been provided by the Company, from time to time, have also been reviewed. We have also relied on representations and certifications provided by the Company, in connection with such statutory and regulatory matters.

- (i) The Company is not required to obtain any licenses or approvals from any government or regulatory authority for the objects of this Issue.

*Note: All capitalized terms not specifically defined here will have the same meaning ascribed to such terms in the DLOF.*