

Annexure II

October 16, 2023

Securities and Exchange Board of India

Corporation Finance Department
Division of Issues and Listing
SEBI Bhavan, Plot No. C4 A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051,
Maharashtra, India

Dear Sir / Madam

Re: Proposed Rights issue of up to [●] fully paid up equity shares of face value of ₹ 2 each of Shiva Cement Limited (the “Company”) for cash at a price of ₹ [●] per Rights Equity Share (including a premium of ₹ [●] per Rights Equity Share) aggregating up to ₹ 40,000 lakhs on a rights basis to the eligible equity shareholders of the Company in the ratio of [●] Rights Equity Shares for every [●] fully paid-up rights equity shares held by the eligible equity shareholders of the Company on the record date (the “Issue”)

We, JM Financial Limited, who have been appointed as lead manager to manage the Issue (the “Lead Manager”), confirm that:

1. We have examined various documents including those relating to litigation, including commercial disputes, patent disputes, disputes with collaborators, etc. and other material while finalising the Draft Letter of Offer of the subject issue;
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 Company, we confirm that:
 - (a) The Draft Letter of Offer 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 the board, the Central Government and any other competent authority in this behalf have been duly complied with; and
 - (c) The material disclosures made in the Draft Letter of Offer 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, SEBI ICDR Regulations and other applicable legal requirements.
3. Besides ourselves, all intermediaries named in the Draft Letter of Offer are registered with SEBI 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**

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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 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 Draft Letter of Offer with SEBI till the date of commencement of lock-in period as stated in the Draft Letter of Offer - **Not Applicable**
6. All applicable provisions of SEBI ICDR Regulations, 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 Letter of Offer - **Not Applicable**
7. All applicable provisions of SEBI ICDR Regulations 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 Company along with the proceeds of the issue - **Not Applicable**
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 exchange, and that the agreement entered into between the bankers to the issue and the Company specifically contains this condition - **Noted for compliance to the extent applicable**
9. The existing business as well as any new business of the Company 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 Company 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 Draft Letter of Offer:
 - (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 Equity Shares, where an issuer has outstanding superior Equity Shares - **Complied with (the Company has not issued any superior equity shares);** and
 - (b) An undertaking from the Company that it shall comply with all disclosure and accounting norms specified by SEBI - **Complied with**
11. We shall comply with the regulations pertaining to advertisements in terms of the SEBI ICDR Regulations - **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 SEBI ICDR Regulations - **Not Applicable**

We enclose a note explaining the process of due diligence that has been exercised by us including in relation to the business of the Company, 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 offer document have been entered into

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by the issuer in accordance with applicable laws (**Schedule A**). **Complied with**

We enclose a checklist confirming regulation-wise compliance with the applicable provisions of these regulations, 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 (**Schedule B**). **Complied with**

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to such terms in the DLOF.

Thanking you,

Yours Sincerely

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This signature page forms an integral part of the letter submitted to SEBI for the rights issue of Shiva Cement Limited

For JM Financial Limited



Authorised Signatory

Name: Gitesh Vargantwar

Designation: Director

Contact: +91 22 6630 3584

Email: Gitesh.Vargantwar@jmfl.com

SCHEDULE A

Note explaining the process of due diligence has been exercised

In connection with the draft letter of offer dated October 16, 2023 (the “**DLOF**”), we have carried out a due diligence exercise on the Company, for the purposes of complying with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”) and other applicable laws, and to the extent customary for rights offerings in India, along with other professionals and experts engaged in this Issue. All capitalized terms used herein and not specifically defined shall have the same meanings ascribed to such terms in the DLOF.

The due diligence process carried out by us and the Legal Counsels (as defined below) commenced with interactions with the key managerial personnel and senior management of the Company, including the Director, Chief Financial Officer and Company Secretary, for gaining an understanding of the business of the Company, key risks associated with the Company and the proposed Issue and financial overview, among others matters. In this regard, the Company was provided with a due diligence questionnaire and information requisition list prepared in consultation with the Legal Counsels (as defined below). In response to the questionnaire and the information requisition list, the Company provided the supporting documents for review and diligence and gave us explanations for queries raised. In order to facilitate such review, the Company set up an online data room where copies of such relevant documents were made available for undertaking the due diligence.

In connection with the Issue, Khaitan & Co were appointed as legal counsel to the Company as to Indian law, AZB & Partners were appointed as legal counsel to the Lead Manager as to Indian laws and Dentons US LLP were appointed as international legal counsel to the Issue (collectively, the “**Legal Counsels**”). The Legal Counsels have assisted the Lead Manager in carrying out the due diligence process and drafting of the DLOF, in compliance with the SEBI ICDR Regulations and other applicable laws and have advised the Company and the Lead Manager on other legal matters, as appropriate, in relation to the Issue.

The Lead Manager also interacted with the statutory auditor of the Company, Shah Gupta & Co., Chartered Accountants (“**Statutory Auditors**”), who have prepared the unaudited interim condensed financial statements of the Company for the three months ended June 30, 2023 including comparatives for the three months ended June 30, 2022 and the audited financial statements for the financial year ended on March 31, 2023, including comparatives for the financial year ended on March 31, 2022, in the process of financial due diligence and providing relevant certificates including statement of special tax benefits to the Company and its shareholders for inclusion in the DLOF and comfort letters. K K A B & CO LLP, Chartered Accountants, independent chartered accountants (“**Independent CA**”) also assisted the Lead Manager by confirming and certifying certain information included in the DLOF, including in respect of related party transaction and tax litigation.

In addition to the Statutory Auditors and Independent CA, (i) Nihar Ranjan Dash, chartered engineer, registered with the Institute of Engineers (India) has provided certifications on the disclosures relating to the installed capacity and capacity utilization as disclosed in the DLOF (the “**Chartered Engineer**”), and (ii) Vallabh Tarun Chander, a mining geologist and recognised qualified person under the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules 2016 and holding membership with Indian Bureau of Mines, Ministry

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of Mines, Govt. of India, has provided certifications on the disclosures relating to the limestone and dolomite reserve data and reserve life (the “Mining Geologist”). An independent practising company secretary, D.S. Associates (“Practising CS”) verified the compliance of the Company with the requisite eligibility requirements for Part B of Schedule VI of the SEBI ICDR Regulations.

1. Business and commercial diligence:

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

- (a) Organizing and attending meetings with the Company to develop an understanding of the business and other matters of the Company. The Chief Financial Officer, the Company Secretary and Compliance Officer and other personnel of the Company presented an overview of the business of the Company, the industry in which it operates, regulatory framework with respect to the business, corporate structure, capital structure, shareholding pattern and financial overview.
- (b) Interacting with the senior management of the Company including the Company’s Director, Chief Financial Officer, Compliance Officer as well as personnel from the secretarial, legal and finance departments, for the purpose of gaining an understanding about the business, the risks involved and the financial overview of the Company, among other matters. The Statutory Auditors and Independent CA had also participated in some of these discussions. These interactions included (i) due diligence meetings and drafting sessions attended by the Lead Manager and conference calls to discuss the drafts of the disclosures in the DLOF, (ii) due diligence call with the Auditor; (iii) due diligence call with the senior management of the Company; (iv) seeking appropriate clarifications from the Company, the Auditor and the Independent CA for financial information, key operational data and other information; and (v) seeking appropriate clarifications and certifications from the Company, its Directors, Statutory Auditors, Independent CA, Chartered Engineer and the Mining Geologist. These interactions were conducted with an objective to assist the Company to prepare disclosures as required under the SEBI ICDR Regulations, the Companies Act and other applicable laws with regard to the Issue. We expect these interactions and due diligence calls to continue until the closure of the Issue.
- (c) Conducting a site visit to the Company’s manufacturing facility located at Telighana, Odisha.
- (d) Requesting the Company, with the assistance of the Legal Counsels, to provide the due diligence documents in a virtual data room and reviewing those documents along with the Legal Counsels, based on the due diligence requirements under the SEBI ICDR Regulations and other applicable laws, as is customary in such transactions.
- (e) Obtaining and relying on certificates, formal representations and undertakings from the Company, its Directors, Group Companies, Promoters, Promoter Group, the Statutory Auditors, the Independent CA, the Independent Chartered Engineer, the Mining Geologist and including report by independent industry sources and publicly available information, in support of certain disclosures made in the DLOF, including certification in relation to Objects of the Issue.
- (f) Reviewing, together with the Legal Counsels, certain business-related agreements entered into by the Company. Further, we have also relied on press releases and intimations made to the Stock Exchange by the Company for certain disclosure pertaining to the business and operations of the Company.
- (g) Obtaining circle-ups from the Statutory Auditors on financial information and on certain operational and non-financial information.

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2. Industry Information

We have relied on the report titled 'Market review of cement sector' dated September 2023 prepared by CRISIL Limited (the "**CRISIL Report**"), for the purposes of confirming the understanding of the Company's industry in connection with the Issue. The industry related information contained in the DLOF, including sections titled "Industry Overview", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Result of Operations", have been included from the CRISIL Report. We have interacted with CRISIL Limited over a diligence call for the purpose of gaining an understanding about, among others, the steps taken to prepare the CRISIL Report.

3. Financial information of the Company and Financial Indebtedness:

We relied on the audit report issued by the statutory auditor, Shah Gupta & Co., Chartered Accountants, on the audited financial statements of the Company as at and for financial year ended March 31, 2023 (which includes the comparative figures included therein for the year ended March 31, 2022), along with the respective notes thereto, and the unaudited interim condensed financial statements for the three months ended June 30, 2023 (which includes the comparative for the three months ended June 30, 2022).

We conducted discussions with the Auditor, including a due diligence call with them. The Auditor was required to review the financial information relating to the Company in the DLOF and has delivered a customary comfort letter and circle ups to the Lead Manager confirming the accuracy of the financial and certain other information contained in the DLOF, as well as the statement of possible special tax benefits available to the Company and its shareholders, and certifications with respect to certain financial and business information included in the DLOF. Such comfort letters will be re-issued or brought down at certain future dates as the Issue moves forward.

4. Promoters, Promoter Group, Directors and Group Companies

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

We have received certifications from the Company confirming that they have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. We have also received certifications from (i) the Promoter and members of the Promoter Group, and (ii) the Directors, confirming that they have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

Further, confirmations have been taken from Directors that they have not been declared as fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018, as amended.

5. Statutory and/or regulatory related diligence and diligence of corporate documents

In connection with diligence of matters relating to statutory and/or regulatory matters, along with the Legal Counsels, the relevant statutory and/or regulatory records of the Company were reviewed. This included the corporate records, filings made by the Company with various statutory and/or regulatory authorities, certain agreements relating to the business of the Company and such other documents as we have deemed necessary and as have been provided to us by the Company from time to time. For the purposes of diligence of government and other approvals, we have relied on the list of material licenses, approvals and registrations of the Company,

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identified by the Company, and reviewed such material licenses, approvals and registrations, copies of which were provided by the Company. In relation to current share capital of the Company, we have been provided with the regulatory filings of the Company. The Company is not required to obtain any licenses or approvals from any government or regulatory authority for the Objects. Further, for the regulatory filings in relation to the registered office prior to 2017 which were missing from the records of the Company, we have relied on the certificate dated November 11, 2021, by M/s. Gopinath Nayak & Associates, an independent practicing company secretary.

6. Outstanding Litigation

We have disclosed outstanding litigation involving the Company on the basis of the legal requirements under the SEBI ICDR Regulations.

Except as disclosed in the DLOF, there is no outstanding litigation involving the Company with respect to (i) issues of moral turpitude or criminal liability on the part of the Company, (ii) material violations of statutory regulations by the Company, (iii) economic offences where proceedings have been initiated against the Company, and (iv) any pending matters including civil litigation and tax proceedings, which if they result in an adverse outcome, would materially and adversely affect the operations or financial position of the Company.

In relation to point (iv) above, the board of directors of the Company in its meeting held on July 27, 2023, has considered and adopted a 'Policy for Determining Material Events and Information', framed in accordance with Regulation 30 of the SEBI Listing Regulations ("**Materiality Policy**"). In terms of the Materiality Policy, any outstanding litigations, involving the Company, whose total monetary impact is equivalent to or exceeds the lower of the following:

- a) 2% of turnover, as per the last audited financial statements of the Company;
- b) 2% of net worth, as per the last audited financial statements of the Company, except in case the arithmetic value of the net worth is negative; and
- c) 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the Company.

Since points (a) and (b) above are not applicable, accordingly, all outstanding litigation (including civil and tax proceedings), involving the Company whose monetary impact is equivalent to or in excess of 5% of the average of absolute value of profit or loss after tax, as per the last three annual financial statements of the Company, which is determined to be ₹213.26 lakhs have been disclosed.

Additionally, pre-litigation notices received by the Company from third parties (excluding those notices issued by statutory or regulatory or governmental authorities) are not evaluated for materiality until such time the Company is impleaded as a defendant in litigation proceedings before any judicial forum.

7. Objects of the Offer

The Company intends to utilise the proceeds of the Issue towards (i) Repayment or pre-payment, in full or in part, of certain borrowing availed by the Company; and (ii) general corporate purposes. In this regard, we have relied on a certificate issued by the Statutory Auditors in relation to the details of the borrowings of the Company that are proposed to be repaid/prepaid. As a part of the diligence process, we, along with the Legal Counsels, have reviewed copies of the sanction letters, facility agreements and other documents provided by the Company and have obtained certifications issued by the Statutory Auditor including for confirmation on the outstanding amounts and utilisation of the facilities for the purposes for which they were availed.

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