

**14. CERTIFICATE ON FINANCIAL INDEBTEDNESS**

To,

**The Board of Directors****Tolins Tyres Limited**

1/ 47, M.C. Road,

Kalady P.O., Ernakulam– 683 574,

Kerala, India.

**Saffron Capital Advisors Private Limited**

605, 6th Floor, Center Point,

Andheri Kurla Road, J.B. Nagar,

Andheri (East), Mumbai – 400 059,

Maharashtra, India.

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

Dear Sir(s),

**Sub: Proposed initial public offering of equity shares of face value of ₹ 5/- each (the “Equity Shares”) of Tolins Tyres Limited (the “Company” and such offering, the “Offer”)**

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In relation to the Offer, we, **Krishnan Retna & Associates, Chartered Accountants**, are the Statutory Auditors to the Company, hereby confirm that the following particulars in relation to the following sections proposed to be incorporated in the Red Herring Prospectus (such Red Herring Prospectus or the “RHP”) and the Prospectus (the “Prospectus”) are true and fair and form adequate disclosure for the purpose of incorporation in Red Herring Prospectus (such Red Herring Prospectus or the “RHP”) and the Prospectus (the “Prospectus”) as required under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended, Companies Act, 2013 and other applicable laws and regulations:

*A) Financial Indebtedness as on August 23, 2024 disclosed in Annexure A*

Further, we confirm based on representation that the Company has been in compliance with all the financial covenants under the financing agreements entered into by the Company with the lenders in relation to the loans availed by the Company which are outstanding as on date.

We hereby confirm that we have conducted our examination of the information given in this certificate (including the annexures thereto) in accordance with the ‘Guidance Note on the Reports or Certificates for Special Purposes (Revised 2016)’ issued by the Institute of Chartered Accountants of India (“ICAI”), as revised from time to time, to obtain a reasonable assurance that such details are in agreement with the books of accounts and other relevant records provided to us, in all material respects; the aforesaid Guidance Notes requires that we comply with the ethical requirements of the ‘Code of Ethics’ issued by the ICAI, as revised from time to time.

We also confirm that 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.

This certificate may be relied upon by the Book Running Lead Manager and legal counsel appointed in relation to the Offer. This certificate is for information and for inclusion in the Red Herring Prospectus (such Red Herring Prospectus or the “RHP”) and the Prospectus (the “Prospectus”) any other document in relation to the Offer (such documents or materials collectively with the RHP and Prospectus, the “Offer Documents”) to be issued by the Company. We hereby consent to aforementioned details being included in the Offer Documents and submission of this certificate as may be necessary, to any regulatory authority and / or for the records to be maintained by the Book Running Lead Manager in connection with the Offer and in accordance with applicable law.

We confirm that any changes to the above that we may be aware of shall immediately be intimated to the Book Running Lead Manager till the date the Equity Shares of the Company commence trading on the stock exchanges.

In the absence of any communication from us, you may assume that there is no change in respect of the matters covered in this certificate.

Yours sincerely,

**For Krishnan Retna & Associates  
Chartered Accountants  
Firm's Registration No: 001536S**

**Nikhil R Kumar  
Partner  
Membership No. 231162  
Place: Ernakulam  
Date: August 28, 2024  
UDIN: 24231162BKESYB1421**



CC:

**M/s. Crawford Bayley & Co.**  
State Bank Building, 4th Floor  
NGN Vaidya Marg,  
Fort, Mumbai – 400 023,  
Maharashtra, India.

**ANNEXURE A**

As on August 23, 2024 the outstanding borrowings of our Company and its Subsidiaries on a consolidated basis aggregated to ₹1,013.25 million. Set forth below is a brief summary:

(₹ in million)

Category of borrowing	Sanctioned amount	Outstanding amount as on August 23, 2024
<b>Fund-Based Borrowings</b>		
<b>Secured</b>		
Term loans	118.13	72.65
Cash credit/Working capital demand loans	800.00	768.71
Vehicle loans/Equipment Loans	14.99	12.80
<b>Total secured borrowings (A)</b>	<b>933.12</b>	<b>854.16</b>
<b>Unsecured</b>		
Loans from financial institutions	-	-
Loans from related parties	-	-
Loans from other parties	-	-
Total unsecured borrowings (B)	-	-
<b>Total fund based borrowings (C) = (A+B)</b>	<b>933.12</b>	<b>854.16</b>
<b>Non-Fund based borrowings</b>		
<b>Secured</b>		
Letter of Credit/Bank Guarantee	165.00	159.09
Total non-fund-based borrowings(D)	165.00	159.09
<b>Total Consolidated borrowings (C+D)</b>	<b>1,098.12</b>	<b>1,013.25</b>

**Principal terms of the borrowings availed by our Company and our Subsidiaries are disclosed below:**

**The details provided below are indicative and there may be additional terms, conditions and requirements under the various borrowing arrangements entered into by the Company:**

1. **Interest:** In respect of the facilities sanctioned to our Company, the current prevailing interest rate ranges from 8.90% per annum to 13.00% per annum. The interest rate for the loans sanctioned to our Company is typically tied to a base rate/marginal cost of lending rate, which may vary from lender to lender.
2. **Tenor:** The tenor of our working capital facilities typically is up to 12 months subject to renewal, whereas the term loan facilities availed by our Company typically has a tenor of 48 months to 180 months. For the vehicle loan availed by us, the tenor ranges from 24 months to 60 months.
3. **Security:** In terms of our borrowings where security needs to be created, the Company is typically required to, inter alia:
  - (a) Create charge by way of hypothecation on entire current assets, both present and future; and
  - (b) Create charge by way of hypothecation over all moveable and immovable fixed assets, both present and future; and
  - (c) Create charge by way of mortgage over immovable fixed assets
  - (d) Execute corporate and personal guarantees
4. **Pre-payment:** The terms of certain facilities availed by our Company and our Subsidiaries typically have prepayment provisions which allow for pre-payment of the outstanding loan amount, subject to such prepayment penalties and such other conditions as laid down in the facility agreements, on giving notice and/or obtaining prior approval from the concerned lender, as the case may be. These pre-payment penalties typically ranges from 1% to 4% of the principal amount or of the amount being prepaid.
5. **Re-payment:** The working capital facilities availed by our Company are repayable within a period of 12 months or on demand. Term loan facilities availed by our Company are repayable on the due date and on the terms and conditions as may be agreed between us and the respective lenders. Similarly, vehicle loans are repayable as per the terms and conditions agreed upon by us and the respective lenders.
6. **Restrictive Covenants:** The facilities sanctioned to our Company contain certain restrictive covenants, which require prior written consent of the lender or prior intimation to be made to the lender, including:
  - (i) Change the general nature of the business or undertake any expansion or invest in any other entity;
  - (ii) Enter into any merger or amalgamation or do a buy-back;
  - (iii) Permit any change in its ownership or control or management including change in the shareholding of promoters, directors and principal shareholders or enter into arrangement whereby its business or operations are managed or controlled, directly or indirectly by any other person;
  - (iv) Avail any loan and/or stand as surety or guarantor for any third-party liability or obligation and/or provide any loan or advance to any third party;
  - (v) Dilute the capital holding of the promoters in the Company's business as on the date of this Agreement;
  - (vi) Pay dividend or distribute or withdraw profits without prior permission;
  - (vii) Invest in, extend any advance/loans, to any group companies/associates/subsidiary/any other third party, repay subordinated loans of group companies or resort to additional borrowings without consent;
  - (viii) Create any encumbrance or other disposition of any sort including charge, lien, mortgage, transfer, assignment over any of the Borrower's property.

The details provided above are indicative and there may be additional terms, conditions and requirements under the specific borrowing arrangements entered into by our Company and/or its Subsidiaries.

7. **Events of default:** Borrowing arrangements entered into by our Company contain standard events of default, including, among others:

- (a) Non-creation of security within the stipulated timelines;
- (b) Default in the performance of any covenant, condition, or agreement on the part of the borrower in accordance with transaction documents;
- (c) Delay/failure to obtain external credit rating from an agency approved by RBI;
- (d) Non-submission/ delay in submission of audited balance sheet within stipulated period;

The details above are indicative and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by the Company.

8. **Consequences of occurrence of events of defaults:** In terms of the Company's borrowing arrangements for the facilities availed by the Company, upon the occurrence of events of default, its lenders may:

- a) Declare any or all amounts under the facility, either whole or in part, as immediately due and payable to the lender;
- b) Cancel the undrawn commitment of the facility;
- c) Enforce the security created pursuant to the security documents;
- d) Convert outstanding obligations under the facility into equity capital or other securities of the Company;
- e) To exercise any other rights that maybe available to the lender under the financing arrangements and applicable law.