



S.N. Gadiya & Co.

Chartered Accountants

Satya Narayan Gadiya

FCA, ACS, B.Com

📍 241, Apollo Tower, 2, M.G. Road, INDORE-1 Ph.: 0731-4069030

✉ satya_mewar@rediffmail.com

📍 15, Textile Clerk Colony, Indore-10 Ph.: 0731-4031266

☎ 9301503126

Date: 30/08/2024

To,

The Board of Directors,
Garuda Construction and Engineering Limited,
(Formerly Known as Garuda Construction and Engineering Private Limited),
142, Garuda House, Upper Govind Nagar,
Malad (East), Mumbai - 400097

AND

Corpwis Advisors Private Limited,
510, 5th Floor, Dilkap Chambers,
Plot - A/7, Veera Desai Road,
Andheri (West), Mumbai - 400053

(Corpwis Advisors Private Limited being appointed in relation to the Issue hereinafter referred to as the "Lead Manager" or the "LM")

Sub: Certificate for working capital requirement of Garuda Construction and Engineering Limited (the "Issuer Company")

Ref: Subject: Proposed Initial Public Issue of Garuda Construction and Engineering Limited (Formerly Known as Garuda Construction and Engineering Private Limited)

We, M/s S N Gadiya and Company, Practicing Chartered Accountants, have been requested by the Issuer Company to certify the proposed net working capital requirement to the extent of Rs. 8000 Lakhs and Rs. 2000 Lakhs for the Fiscal Years 2025 and 2026, respectively which will be funded from the Net Proceeds of the IPO.

We have examined and verified the a) audited financial statements for Fiscal Years March 31, 2024, 2023 and 2022 and One-month period ended April 30, 2024 of the Issuer Company; b) Restated Financial Statements as of March 31, 2024, 2023 and 2022 and 30th April, 2024 of the Issuer Company c) the business estimations / projections for the Fiscal Years 2025 and 2026 and d) other relevant records of the Issuer Company as submitted to us. Based on our examination, as we considered necessary and according to the documents, information and explanations given to us, we hereby certify that as on the date of this certificate the existing working capital requirements and the holding levels has been determined as under:

(₹ In lakhs)

Particulars	Fiscal 2022 (Restated)	Fiscal 2023 (Restated)	Fiscal 2024 (Restated)	April 2024
Current Assets				
Inventories	270.00	660.46	738.01	738.01
Trade Receivables	3,017.34	7,697.71	17,624.24	18,256.37
Other Current Assets	4,173.29	5,810.21	1,724.45	1,744.01
Total (A)	7,460.63	14,168.38	20,086.70	20,738.39



Current Liabilities				
Trade Payables	4,069.69	6,233.99	6,173.98	6,216.05
Other Current Liabilities & Short Term Provision	701.33	2,169.40	4,751.03	4,994.66
Total (B)	4,771.02	8,403.39	10,925.01	11,210.71
Total Working Capital (A)-(B)	2,689.61	5,764.98	9,161.69	9,527.68
Funded through Internal Accruals and Equity	1,490.59	5,764.98	9,161.69	9,527.68

*Sanctioned working capital facilities as on date of this Updated Draft Prospectus comprised of NIL Lakhs from banks and other financial institutions.

Note: - In Above Working Capital requirement Calculation, Short Term Borrowings, Current Maturities of Long-term borrowings and Trade payable for Capital goods have not been considered which was shown under the head current Liabilities in the restated financial statements for FY 2021-22, FY 2022-23, FY 2023-24 and One month period ended 30th April, 2024.

On the basis on the internal estimates, existing working capital requirements and the projected working capital requirements and key assumptions with respect to the determination of the same; the Issuer Company would require total working capital to the extent of Rs. 8000 Lakhs and Rs. 2000 Lakhs for the Fiscal Years 2025 and 2026, respectively.

The Board of Directors of the Issuer Company pursuant to their resolution dated February 06, 2024, has certified and approved by the estimated working capital requirements and the assumption underlying the justification for periods of holding levels for Fiscal Years 2025 and 2026.

The estimated and projected working capital requirements and the assumption underlying the justification for periods of holding levels for Fiscal Years 2025 and 2026 are as set out in the table below:

				(₹ In lakhs)	
Sr. No	Particulars	As at Fiscal 2025		As at Fiscal 2026	
I	Current Assets				
	Inventories	2,613.80		3,225.49	
	Trade Receivables	10,439.85		13,622.95	
	Other Bank Balances	177.36		177.36	
	Advance to Suppliers	2,345.53		2,970.81	
	Other Current assets	3,929.60		5,121.84	
	Total Current Assets (A)	19,506.15		25,118.44	
II	Current Liabilities				
	a)Trade payables (MSME and Others)	2,613.80		3,225.49	
	Advance from Customers	-		-	
	Other current liabilities and Provisions	148.60		157.13	
	Total Current Liabilities excluding borrowings (B)	2,762.41		3,382.62	
III	Total Working Capital Requirements (A-B)	16,743.74		21,735.82	
	- From Issue Proceeds	8,000.00		2,000.00	
	- Internal Accruals	8,743.74		19,735.82	



Project-wise working capital requirement

As at Fiscal 2025

Project	(₹ In lakhs)				
	Inventories (a)	Trade Receivables (b)	Advance to Suppliers (c)	Trade Payables (d)	Working Capital (a+b+c-d)
Construction contract of Trinity Oasis at Ghodbunder Road, Thane	3.92	15.67	3.52	3.92	19.18
Construction contract for the residential project "Garuda Shatrunjay" at Borivali West, Mumbai along with finishing and beautification work	193.42	772.52	173.56	193.42	946.09
Construction, development and completion of the project "Options World" at Santacruz West, Mumbai	446.23	1782.29	400.43	446.23	2,182.72
Construction of proposed office building at Bandra Kurla Complex, Mumbai	208.24	831.75	186.87	208.24	1,018.63
Construction of proposed residential building at Amritsar	107.21	428.20	96.20	107.21	524.40
Construction work shall include civil work, barrage structure, intake cum feeder channel, desilting basin, power channel, forebay and spillway, penstock and anchor blocks and electro-mechanical work, etc.	219.53	876.83	197.00	219.53	1,073.83
Agro-processing cluster EPC contract dated February 09, 2023 in Jalore, Rajasthan	126.01	503.28	113.07	126.01	616.36
Finishing and Completion of Residential Building	78.32	312.82	70.28	78.32	383.10
Construction and Development of Residential Project	309.19	1234.94	277.46	309.19	1,512.40
Redevelopment of Immovable Property in Mumbai	209.78	837.88	188.25	209.78	1,026.13
Proposed Project – Under Negotiation	598.59	2,390.85	537.15	598.59	2,928.00
Proposed Project – Under Negotiation	113.37	452.81	101.73	113.37	554.55
Project – Wise Working Capital Requirement					12,785.38
Add: Current Assets (Un-apportioned)					4,106.96
Less: Current Liabilities Un-apportioned					148.60
Working Capital Requirement					16,743.74



As at Fiscal 2026

Project	(₹ In lakhs)				
	Inventories (a)	Trade Receivables (b)	Advance to Suppliers (c)	Trade Payables (d)	Working Capital (a+b+c-d)
Construction contract of Trinity Oasis at Ghodbunder Road, Thane	40.80	172.32	37.58	40.80	209.90
Construction contract for the residential project "Garuda Shatrunjay" at Borivali West, Mumbai along with finishing and beautification work	209.04	882.88	192.53	209.04	1,075.42
Construction, development and completion of the project "Options World" at Santacruz West, Mumbai	120.57	509.23	111.05	120.57	620.28
Construction of proposed office building at Bandra Kurla Complex, Mumbai	85.77	362.25	79.00	85.77	441.25
Construction of proposed residential building at Amritsar	253.46	1,070.50	233.45	253.46	1,303.95
Construction work shall include civil work, barrage structure, intake cum feeder channel, desilting basin, power channel, forebay and spillway, penstock and anchor blocks and electro mechanical work, etc.	622.82	2,630.49	573.64	622.82	3,204.14
Agro-processing cluster EPC contract dated February 09, 2023 in Jalore, Rajasthan	-	-	-	-	-
Finishing and Completion of Residential Building	21.16	89.38	19.49	21.16	108.87
Construction and Development of Residential Project	487.33	2,058.24	448.85	487.33	2,507.09
Redevelopment of Immovable Property in Mumbai	245.37	1,036.33	226.00	245.37	1,262.32
Proposed Project – Under Negotiation	1,080.69	4,564.35	995.37	1,080.69	5,559.71
Proposed Project – Under Negotiation	58.48	246.99	53.86	58.48	300.85
Project – Wise Working Capital Requirement					16,593.76
Add: Current Assets (Unapportioned)					5,299.20
Less: Current Liabilities Unapportioned					157.13
Working Capital Requirement					21,735.82



Constituents of Working capital

Inventory: The inventory includes the Raw Materials and work-in-progress. The amount of work done in the project and the final bill which is not submitted to the client at the end of the year is valued and included in the Inventory.

Trade Receivables: The Balance amount outstanding from the clients after receiving the payment against the invoices raised.

Other Bank Balances: The other bank balances include the Margin Money deposit is the deposit given to the banks for providing the non-fund based limits Viz. Bank Guarantees. The Company has to provide the bank guarantee to the client on awarding the work to the company. Bank generally need margin money for giving bank guarantee and the margin money deposit is the fixed deposits with the bank and marked lien on the same for providing the bank guarantee.

Advance to suppliers: This includes the advances paid towards purchase of raw-material and services for our construction projects.

Other Current Assets: Other current assets include business advances. These advances include advances towards security deposits under various contracts obtained by us and other short-term advances given to procure contracts in cases where joint contracts are bid for.

Trade Payables: Trade payables are the outstanding amount to third party vendor for supply of goods and services to the Company. It is short time liabilities of the Company and has to be paid as per terms of the purchase of goods and services.

Advance from customers: Advance from customers include mobilization advance received for the contractual work.

Other Current Liabilities and Provisions: Other current liabilities include the security deposit which is short term liability to be paid within short time. The expenses of the current year for the last month of the period which are yet to be paid and the provision for the income tax are included under this heading.

Key assumptions for working capital projections made by the Company:

The table below contains the details of the holding levels (in number of days or relevant matrix as applicable) considered and is derived from the audited standalone financial statement for the period ended April 30, 2024, Fiscal 2023, Fiscal 2022, and Fiscal 2021 as well as the projections for Fiscal 2025 and Fiscal 2026 and the assumptions based on which the working plan projections has been made and approved by our Board of Directors:

Particulars	Basis of Calculation	March 31, 2022 (Actuals)	March 31, 2023 (Actuals)	March 31, 2024 (Actuals)	April 30, 2024 (Actuals)	March 31, 2025 (Estimated)	March 31, 2026 (Estimated)
Debtor days	Revenue from Operations	143	175	417	468	120	120
Inventory days	Cost of Material Consumed	87	209	288	456	93	75
Advance to Supplier days	Cost of Material Consumed + Direct Expenses	108	36	10	11	43	42
Creditor Days	Cost of Material Consumed + Direct Expenses	352	226	239	275	48	45
Advance from Customer Days	Revenue from Operations	0	17	36	40	0	0

Estimated holding days have been rounded to the nearest whole number.



Justification for the “holding period” assumption:

Sr. No.	Particulars	Assumptions
Current Assets		
1	Inventories	In order to achieve cost competitiveness and lead times through constant innovation, we need to maintain efficient inventory levels. In Fiscals 2022, 2023, 2024 and as on 30 th April, 2024 our inventory days were 87 days, 209 days, 288 days and 456 days, respectively as per restated financial statements. One of our residential project was delayed due to delay in receipt of further commencement certificate which led to high inventory days. This was exceptional. For Fiscal 2025 and 2026, by better inventory management and subsequent monitoring over effective usage, we are targeting to reduce our inventory days to 75 days.
2	Trade receivables	In Fiscals 2022, 2023, 2024 and as on 30 th April, 2024 our receivable days were 143 days, 175 days, 417 days and 468 days, respectively as per restated financial statements. Estimate for Fiscal 2025 and Fiscal 2026 are based on the realizations done in the last 6 months. We expect the receivable days at 120 days for Fiscal 2025 and Fiscal 2026.
3	Advance to Suppliers and Business Advance Days	Our company tries to maintain a policy of business advance and advance to supplier for 30-45 days. Our advance to supplier days on restated financial statement was 108 days, 36 days, 10 days and 11 days for Fiscals 2022, 2023, 2024 and as on 30 th April, 2024 respectively. Fiscal 2022 was exceptional as advance to two suppliers were made for a project who could not supply due to COVID-19 impact due to which the ratio was high. However, our company aims to maintain the same policy for advance to supplier and thus expects advances of 43 days and 42 days for the Fiscal 2025 and 2026 respectively.
Current Liabilities		
4	Trade Payables	Our trade payables have been for 352 days, 226 days, 239 days and 275 days for Fiscals 2022, 2023, 2024 and as on 30 th April, 2024, respectively. With the availability of funds from the issue proceeds, we seek to avail best pricing by monetizing the reduced credit days and also buy from large suppliers. With reduced costs, our EBITDA margin will also increase. With the issue proceeds, we estimate to reduce our payables at 48 days for Fiscal 2025 and 45 days for Fiscal 2026.
5	Advance from Customer Days	Our advance to customer days on restated financial statement was 0 days, 17 days, 36 days, 40 days for Fiscals 2022, 2023, 2024 and as on 30 th April, 2024 respectively. Historically, we have not taken any advance from our customers except for few instances in Fiscal 2023 and 2024. Based on past, we expect NIL advance from customer for the Fiscal 2025 and 2026 respectively.

Note: - In Above Working Capital requirement Calculation, Short Term Borrowings, Current Maturities of Long-term borrowings and Trade payable for Capital goods have not been considered which was shown under the head current Liabilities in the restated financial statements for FY 2021-22, FY 2022-23, FY 2023-24 and One month period ended 30th April, 2024.

The Issuer Company proposes to utilize Rs. 8000 Lakhs and Rs. 2000 Lakhs for the Fiscal Years 2025 and 2026, respectively, towards its working capital requirements for meeting their future business requirements.

The balance working capital requirements, if any shall be meet through the internal accruals. According, we confirm that the Company is in compliance with the requirements to make firm arrangements of finance under Regulation 7(1)(e) of the SEBI (ICDR) through verifiable means towards atleast 75% of the stated means of finance, excluding the amount to be raised through the Net Proceeds. OR

As on 30.04.2024, the Issuer Company has total sanctioned limit of working capital facilities of Rs. 0. Accordingly, there are no fund requirements towards capital expenditure and hence Regulation 7(1)(e) of the



Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 is not applicable.

We confirm that the computation of the working capital of the Company for the past three financial years and stub period is in compliance with the applicable provisions of the Accounting Standards and such other laws.

We also confirm that the information above 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. All capitalized terms not defined in this certificate shall have the same meaning as defined in the Offer Documents.

This certificate is issued for the sole purpose of the Offer and this certificate or any extracts or annexures thereof, can be used, in full or part, for inclusion in the Offer Document (Updated Draft Prospectus and/or Prospectus) and any other material used in connection with the Offer (IPO), and for the submission of this certificate as may be necessary, to any regulatory / statutory authority, stock exchanges, any other authority as may be required and/or for the records to be maintained by the LM in connection with the Offer (IPO) and in accordance with applicable law. Any change in the information made available to us by the Issuer Company which forms substantial basis of our verification, subsequent to the issuance of this certificate has not been considered.

We hereby consent to the aforementioned details being included in the Offer Documents and submission of this certificate as may be necessary to any regulatory authority and/ for the records to be maintained by the LM in connection with the IPO and in accordance with the applicable law. However, any change in the information made available to us by the Issuer Company which forms substantial basis of our verification, subsequent to the issuance of this certificate has not been considered.

This certificate may be relied on by the Issuer Company, the Lead Manager and Legal Counsel appointed in relation to the Offer (IPO).

We undertake to update you in writing of any changes in the abovementioned position, until the date the Equity Shares issued pursuant to the Offer (IPO) commence trading on the stock exchanges. In the absence of any communication from us till the Equity Shares commence trading on the stock exchanges, you may assume that there is no change in respect of the matters covered in this certificate.

Yours faithfully,

For S N Gadiya & Co
Chartered Accountants
(Registration No. 002052C)



Proprietor
Membership No. 071229
Place: Indore
Date: 30/08/2024

UDIN: **24071229BKCRDU3486**