

V.V. BHALLA & COMPANY

CHARTERED ACCOUNTANTS

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REPORT ON EXAMINATION OF PROSPECTIVE FINANCIAL INFORMATION

To,

The Board of Directors,
M/s. Madhur Knit Crafts Limited
Village - Seera, Sattowal Road, Rahon Road, Ludhiana

CC:

SKI Capital Services Limited
718, Dr, Joshi Rd, Block A, Karol Bagh, Delhi, 110005

(SKI Capital Services Limited, leading merchant banker which appointed in relation to the Issue referred to as the "Book Running Lead Manager")

Re: Proposed initial public issue of equity shares of face value of ₹ 10 each (the "Equity Shares" and, the "Issue") of Madhur Knit Crafts Limited (the "Company")

Dear Sir(s)/Ma'am(s),

We, V.V Bhalla & Co, Chartered Accountants, have been requested by the Company to examine the working capital requirements of **Madhur Knit Crafts Limited** (the "Company") and issue a report thereon.

As of the date of filing of the DRHP, we have examined the working capital forecast of the Company as submitted to us for fiscal years ended 31st March 2026, 31st March 2027(the "Prospective Financial Information") annexed in Annexure A in accordance with Standard on Assurance Engagement 3400, "The Examination of Prospective Financial Information," issued by the Institute of Chartered Accountants of India ("SAE 3400"). The preparation and presentation of the Erstwhile Prospective Financial Information were based on the underlying assumptions as given in Prospective Financial Information. Preparation of Prospective Financial Information and underlying assumptions thereon is the responsibility of the management and has been approved by the Board of Directors of the company.

Our responsibility is to examine the evidence supporting the assumptions and other information in the Prospective Financial Information. Our responsibility does not include verification of projections; hence we do not vouch for the accuracy of the same.

This Prospective Financial Information has been prepared in relation to the Issue. The projection has been prepared using a set of assumptions about future events that may occur or may not necessarily occur. Therefore, actual results are likely to be different from the forecast with or without material variation.

In accordance with SAE 3400, we have carried out our examination of the Prospective Financial Information and the underlying assumptions on a test basis.



Based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that the Prospective Financial Information and the assumptions thereon do not provide a reasonable basis for the forecast. Further, in our opinion the Prospective Financial Information, read with the notes thereon, has been properly prepared on the assumptions as set out in **Annexure A** and on consistent basis with the historical financial statements, using appropriate accounting principles.

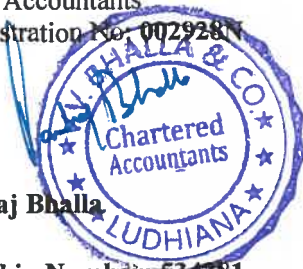
This report is issued at the request of Company, addressed to the board of directors of the Company and the Book Running Lead Manager for the sole purpose of the Issue and we hereby consent to, and have no objection to, the inclusion of our name, and this report or any extracted thereof, in full or part, for inclusion in the Offer Documents, provided that any such inclusion is in the same context in which the Offer Documents are provided, and for the submission of this report as may be necessary, to the Securities and Exchange Board of India, the stock exchanges or other Regulatory Agencies as proposed to be listed, Registrar of Companies, and any other Government Agencies or authorities as may be required and/or for the records to be maintained by the Book Running Lead Manager in relation to the Issue and in accordance with applicable law, and we consent to any ad verbatim reference being made to us and this report in any claim or proceeding in connection with the contents of the Offer Documents.

This report may be relied on by the Company, the Book Running Lead Manager and legal counsel appointed in relation to the Issue, other than for the purpose of the Issue and we accept or assume any liability or any duty of care for any other purpose whatsoever.

We have no responsibility to update the report for any changes in the underlying assumption though (i) additional information made available to us; or (ii) we become aware of any changes which may have a bearing on this report, from the date of signing this report pursuant to the Issue commencing on the stock exchanges. However, to the extent the Book Running Lead Manager issue amendments to the Offer Documents and submit to stock exchanges, you may consider us if there is no change in report of the matters covered in this report.

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Offer Documents.

Your faithfully,
For **V.V Bhalla & Co**
Chartered Accountants
Firm Registration No. 00292877



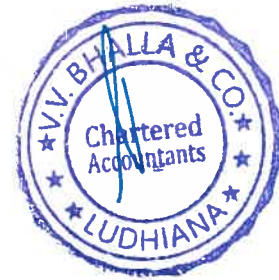
CA Pankaj Bhalla
Partner
Membership Number: 534281
UDIN : 25534281BMISZY7650
Date: 15/10/2025

ANNEXURE A

Details of Estimation of Working Capital requirements based on our audited standalone financial statements are as follows:

(Amount in INR Lakhs)

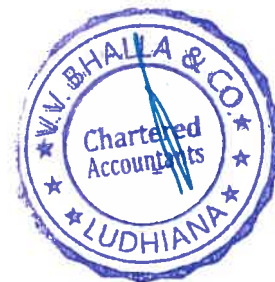
Particulars	Restated			
	31.03.23	31.03.24	31.03.25	30.06.25
<u>I. Current Assets</u>				
(a) Inventory				
<i>i. Raw Material</i>	2,081.75	1,345.87	2,464.08	1,940.33
<i>ii. Work In Progress</i>	84.66	113.86	325.95	196.24
<i>iii. Finished goods</i>	743.44	875.95	924.46	1,077.09
<i>iv. Consumable, Stores and packing materials</i>	52.23	35.79	179.50	146.95
(b) Trade Receivables	1,403.45	2,831.81	3,822.52	5,912.27
(c) Short Term Loans and Advances	416.17	739.59	1,059.46	1,405.86
(d) Other Current Assets	4.99	5.34	6.77	10.67
Total Current Assets (Other than Cash and Cash Equivalents) (I)	4,786.69	5,948.20	8,782.75	10,689.41
<u>II. Current Liabilities</u>				
(a) Trade Payables	1,229.95	1,220.76	1,573.52	2,408.75
(b) Other Current Liabilities	129.51	212.04	521.38	598.85
(c) Short term provisions	18.92	19.70	324.86	417.51
Total Current Liabilities (II)	1,378.38	1,452.50	2,419.75	3,425.10
Net Working Capital Requirement III (I-II)	3,408.31	4,495.71	6,363.00	7,264.31



Assessment of Future Working Capital for the FY 26 and FY 27

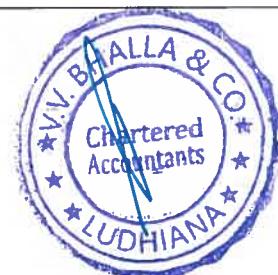
(In lakhs)

Particulars	Projected	
	31.03.26	31.03.27
<u>I. Current Assets</u>		
(a) Inventory		
<i>i. Raw Material</i>	2,994.03	3,502.49
<i>ii. Work In Progress</i>	394.68	463.32
<i>iii. Finished goods</i>	1,119.38	1,314.05
<i>iv. Consumable, Stores and packing materials</i>	217.35	255.14
(b) Trade Receivables	4,990.68	5,833.42
(c) Short Term Loans and Advances	1,410.00	1,645.00
(d) Other Current Assets	7.00	7.00
Total Current Assets (Other than Cash and Cash Equivalents) (I)	11,133.11	13,020.42
<u>II. Current Liabilities</u>		
(a) Trade Payables	1710.00	2000.00
(b) Other Current Liabilities	375.00	375.00
(c) Short term provisions	325.00	325.00
Total Current Liabilities (II)	2410.00	2700.00
Net Working Capital Requirement III (I-II)	8723.11	10320.42



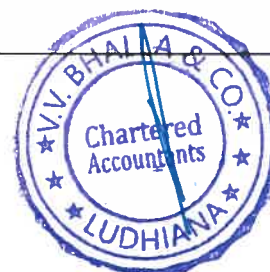
Key assumptions for working capital projections made by the Company:

<i>Particulars</i>	31 .0 3. 23	31 .0 3. 24	31 .0 3. 25	31 .0 6. 25	31 .0 3. 26	31 .0 3. 27	Holding Basis
Current Assets							
Inventory Days							
<i>i.Raw Material</i>	10 9	62	76	35	70	70	Raw materials days are calculated by dividing raw materials by the cost of goods sold and multiplying the result by 365. (or 91 for the stub period ending June, 2025)
<i>ii.Work In Progress</i>	4	5	10	4	9	9	Work-in-progress days are calculated by dividing work-in-progress by the cost of goods sold and multiplying by 365. (or 91 for the stub period ending June, 2025)
<i>iii.Finished goods</i>	39	40	28	19	26	26	Finished goods days are calculated by dividing finished goods by the cost of goods sold and multiplying by 365. (or 91 for the stub period ending June, 2025)
<i>iv.Consumable , Stores and packing materials</i>	3	2	6	3	5	5	Consumable stores and packing materials days are calculated by dividing consumable stores and packing materials by the cost of goods sold and multiplying by 365. (or 91 for the stub period ending June, 2025)
Trade Receivables Days	57	95	81	82	80	80	Trade receivable days are calculated by dividing trade receivables by revenue and multiplying by 365. (or 91 for the stub period ending June, 2025)
Other Current Assets Days	0	0	0	0	0	0	Other current assets days are calculated by dividing other current assets by revenue and multiplying by 365. (or 91 for the stub period ending June, 2025)
Current Liabilities							
Trade Payables Days	65	56	48	43	40	40	Trade payable days are calculated by dividing trade payables by the cost of goods sold and multiplying by 365. (or 91 for the stub period ending June, 2025)
Other Current Liabilities Days	7	10	16	11	9	7	Other current liabilities days are calculated by dividing other current liabilities by the cost of goods sold and multiplying by 365. (or 91 for the stub period ending June, 2025)
Short-term provisions Days	1	1	10	8	8	6	Short-term provisions days are calculated by dividing short-term provisions by the cost of goods sold and multiplying by 365. (or 91 for the stub period ending June, 2025)



Justification for Key Assumptions:

Particulars	Assumptions & Justifications
Current Assets	
Inventory	
i. Raw Material	Raw material holding days for the F.Y. 2022-23, 2023-24 and 2024-25 were 109 days, 62 days and 76 days respectively. The holding period saw a reduction in F.Y. 2023-24 due to improved procurement planning and inventory management, followed by an increase in F.Y. 2024-25 on account of higher stocking to meet production requirements. The Company anticipates maintaining raw material holding days at around 70 days in F.Y. 2025-26 and 2026-27 respectively.
ii. Work In Progress	Work-in-progress inventory holding days for the F.Y. 2022-23, 2023-24 and 2024-25 were 4 days, 5 days and 10 days respectively. The increase in F.Y. 2024-25 was primarily due to higher production cycle times. The Company expects to maintain work-in-progress holding at around 9 days in F.Y. 2025-26 and 2026-27 respectively.
iii. Finished goods	Finished goods holding days for the F.Y. 2022-23, 2023-24 and 2024-25 were 39 days, 40 days and 28 days respectively. The decrease in F.Y. 2024-25 was driven by improved demand forecasting and faster order fulfilment. The Company expects finished goods holding days to remain at around levels of 26 days each for F.Y. 2025-26 and 2026-27.
iv. Consumable, Stores and packing materials	Consumables, stores and packing materials holding days for the F.Y. 2022-23, 2023-24 and 2024-25 were 3 days, 2 days and 6 days respectively. The temporary increase in F.Y. 2024-25 was on account of advance bulk purchases. The Company expects the holding period to normalize at 5 days each for F.Y. 2025-26 and 2026-27.
Trade Receivables	Trade receivable days increased from 57 in FY 2022 to 95 in FY 2023, before easing to 81 in FY 2025. The sharp rise was primarily due to the company's decision to extend more lenient credit terms to drive sales growth and capture market share. While this strategy boosted revenues, it also led to higher working capital needs and longer cash conversion cycles. From FY 2024 onwards, the company introduced tighter collection practices, resulting in a moderation of receivable days. Looking ahead, the company intends to maintain receivable days at around 80, balancing customer support through flexible credit terms with the need to preserve strong cash flows for future growth.
Short-term Loans and Advances	Short-term loans and advances primarily comprise advances to suppliers, employees, and other operational advances. The balances stood at ₹416.17 lakhs, ₹739.59 lakhs, and ₹1,059.46 lakhs as at March 31, 2023, March 31, 2024, and March 31, 2025, respectively, reflecting a gradual increase in line with the expansion of operations. As at June 30, 2025, the balance was ₹1,405.86 lakhs, which is broadly in line with the projected level as of March 31, 2026, indicating consistency in the Company's advance requirements and working capital deployment. The Company expects these levels to remain stable, with marginal growth to ₹1,410.00 lakhs and ₹1,645.00 lakhs for FY 2025-26 and FY 2026-27, respectively, in line with the overall increase in business volume.
Other Current Assets	Other current assets primarily comprise prepaid expenses and other recoverables. The balance of other current assets stood at ₹4.99 lakhs, ₹5.34 lakhs, and ₹6.77 lakhs as at March 31, 2023, March 31, 2024, and March 31, 2025, respectively, indicating a marginal increase in line with business expansion. For the stub period ended June 30, 2025, the balance was ₹10.67 lakhs. The Company projects this to remain broadly stable at ₹7.00 lakhs for FY 2025-26 and FY 2026-27, reflecting consistency in operational and administrative requirements. The level of other current assets is not material in relation to total current assets and is expected to remain steady over the projection period.
Current Liabilities	



Trade Payables	Trade payables holding days stood at 65 days, 56 days, and 48 days for FY2022, FY2023, and FY2025 respectively, reflecting a steady reduction over the years. This decline was primarily driven by improved cash flow management and a strategic shift towards quicker settlement of dues to strengthen supplier relationships. Going forward, the company plans to further reduce the trade payables period to around 40 days, capitalizing on early payment discounts offered by vendors. This move is aimed at enhancing profitability by lowering procurement costs, while continuing to maintain healthy supplier relationships and ensuring a more efficient cash flow cycle to support future growth.
Other Current Liabilities	Other Current Liabilities mainly include statutory dues, expenses payable to employees, interest accrued, and advances to suppliers of goods and capital machinery. Other current liabilities holding days for the F.Y. 2022-23, 2023-24 and 2024-25 were 7 days, 10 days and 16 days respectively. The increase in holding period over the years was primarily on account of timing of payments and accruals. The Company expects to maintain the holding period at around 9 days in F.Y. 2025-26 and 7 days in F.Y. 2026-27.
Short term provisions	Short-term provisions include provision for income tax and provision for gratuity. Our short-term provisions holding period for the F.Y. 2022-23, 2023-24 and 2024-25 were 1 day, 1 day and 10 days respectively. The holding period has remained low due to timely settlements and efficient financial planning. Further, the Company anticipates maintaining the short-term provisions holding period at around 8 days and 6 days for F.Y. 2025-26 and 2026-27 respectively.

