WORKING CAPITAL REQUIREMENT CERTIFICATE OF VINOD TEXWORLD LIMITED

To,
The Board of Directors,
VINOD TEXWORLD LIMITED
185/2, Saijpur, Gopalpur,
Opp. Shanti Process, Piplaj Pirana Road,
Ahmedabad, Gujarat, India, 382405

Dear Sir,

Sub: Certificate for working capital requirement:

The details of working capital requirement are given below:

(Amount in Lakhs)

Particulars	As at 31st March, 2027	As at 31st March, 2026	As at 31st March, 2025	As at 31st March, 2024
	Estimated	Restated	Restated	Restated
Current Assets				
Inventories	6,943.80	6,583.39	6,032.76	4,556.36
Trade Receivables	9,400.00	8,289.51	8,754.34	7,648.96
Short-Term Loans and Advances	1,036.03	555.84	539.04	603.79
Total (A)	**17,379.83**	**15,428.75**	**15,326.14**	**12,809.12**
Current Liabilities				
Trade Payables	6,548.00	5,826.49	7,048.29	7,260.17
Short-Term Provisions	440.00	417.47	372.15	200.13
Other Current Liabilities	845.00	808.95	696.75	1,146.61
Total (B)	**7,833.00**	**7,052.91**	**8,117.19**	**8,606.91**
Net Working Capital (A)-(B)	**9,546.83**	**8,375.84**	**7,208.95**	**4,202.21**
Sources of Working Capital				
Proceeds from IPO	2,035.00	-	-	-
Short-Term Borrowings	3,858.00	4,791.58	4,572.63	2,497.93
Internal Accruals/Net worth	3,653.83	3,584.26	2,636.32	1704.28

Sources of Internal Accruals estimated by Company to meet incremental gap from FY 2025-26 to FY 2026-27 of ₹ 69.58 lakhs:

- **Net Profit After Tax:** The Company has Net Profit of around ₹ 1040.74 lakhs in FY 2025-26.

Sources of Internal Accruals estimated by Company to meet incremental gap of ₹ 1949.22 lakhs in FY 27-28 from FY 2026-27:

The company will utilise its cash profits to meet this working capital gap.

Details of Estimation of Working Capital requirement are as follows:

(Amount in Lakhs)

Particulars	As at 31st March, 2027	As at 31st March, 2026	As at 31st March, 2025	As at 31st March, 2024
	Estimated	**Restated**	**Restated**	**Restated**
Inventory	6,943.80	6,583.39	6,032.76	4,556.36
Trade Receivables	9,400.00	8,289.51	8,754.34	7,648.96
Trade Payable	6,548.00	5,826.49	7,048.29	7,260.17
Net Working Capital	5,688.83	3,584.26	2,636.32	1,704.28
Revenue from Operations	38,641.00	34,263.62	33,536.93	27,148.80
% of Inventory / Revenue from operations	17.97%	19.21%	17.99%	16.78%
% of Trade receivables/ Revenue from operations	24.33%	24.19%	26.10%	28.17%
% of Trade Payable /Revenue from operations	16.95%	17.00%	21.02%	26.74%
% Net Working Capital /Revenue from Operations	14.72%	10.46%	7.86%	6.28%

(In Days)

Particulars	As at 31st March, 2027	As at 31st March, 2026	As at 31st March, 2025	As at 31st March, 2024
No. of Days for Trade Payables	73	73	88	108
No. of Days for Trade Receivables	89	88	95	103
No. of Days for Inventory Days	78	84	78	72
Working capital cycle days	**94**	**99**	**85**	**67**

Note:

1. 365 days has been considered in a year.
2. Holding period level (in days) of Trade Receivables is calculated by dividing trade receivables by revenue from operations multiplied by number of days in a year.
3. Holding period level (in days) of Trade payables is calculated by dividing trade payables by purchases multiplied by number of days in a year.

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4. Holding period level (in days) of inventories is calculated by dividing inventories by cost of goods sold multiplied by number of days in a year.

Rationale for Increase in working capital gap from financial year 2025-26 to financial year 2026-27:

The Company is operating in a working capital-intensive business. The Major Working capital are required for monthly payment of material purchased, selling, general, administration and other variable overheads etc. and Trade Receivable as the money gets blocked in them due to more credit period offer to them for increase in Business. The incremental working capital requirement for FY 2026-27 is expected to be ₹ 2104.58 Lakhs which will be financed through internal accruals 69.58 lakhs and proceeds from an IPO amounting to ₹ 2035.00 lakhs.

The company has increased its production capacity and lowered costs by relying on solar power for electricity generation. In FY 2024-25 and FY 2025-26, it also commissioned an additional 1,500 kWp solar power plant, which is expected to further reduce costs. Upgrades in technology have improved quality and lowered production costs. Working capital limits from the bank have been reduced by ₹715.00 lakhs to save on interest costs. Operating in the cost-sensitive textile industry has supported better operational profits.

Rationale for Increase in working capital gap from financial year 2023-24 to financial year 2024-25

Lower Trade Payables: During the year, the Company benefited from improved cash flow availability due to an increase in its cash credit limit from the bank. This enhanced liquidity position enabled the Company to make early payments to trade payables, resulting in a reduction in outstanding trade payables. Consequently, trade payables as a percentage of revenue from operations declined from 26.74% in the previous year to 20.99% in FY 2024–25. While this reflects stronger supplier relationships and better financial discipline, it also led to an increase in working capital requirements during the year.

Reduction in job work: In line with its strategic shift towards direct manufacturing, the Company further reduced its dependence on the job work model during FY 2024–25. Job work sales declined sharply from ₹510.30 lakhs in FY 2023–24 to ₹23.41 lakhs in FY 2024–25. This transition enabled the Company to enhance its capacity utilization, which increased from 162.58 lakh meters per annum in FY 2023–24 to 198.41 lakh meters per annum in FY 2024–25. Consequently, higher in house production led to an increase in inventory levels, with total inventory rising from ₹4,556.36 lakhs as on March 31, 2024, to ₹6,032.76 lakhs as on March 31, 2025.

Justification:

Trade Payable Days	Trade payables refer to the amounts a company owes to its suppliers for goods or services received on credit, representing trade payables. They typically arise from routine business activities, such as purchasing raw materials, inventory and other services, with the agreement to pay later. Past trend of trade payable has been between the ranges of 73 to 108 days in the last financial years. Trade payable days in financials year 2024-25 and 2025-26 was 88 days and 73 days respectively. To ensure the timely procurement of essential materials, payment schedules were adjusted, resulting in shorter payable cycles. With improved material availability and streamlined procurement processes, trade payable cycles are expected to align with in the past trend ranges. As of end of financial year 2026-27 the company estimates that trade payables days will be in line with previous 2 years at 73 days.

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Trade Receivable Days	Trade receivable consists of debt owned by debtors. Past trend of trade receivable has been between the ranges of 88 to 103 days in the last financial years. Trade receivable days in financials year 2023-24, 2024-25 and 2025-26 is 103 days, 95 days and 88 days respectively. Supply chain in textile industry consists of traders and exporters. As a result, the company has been offering higher credit to its customers. This results into higher working capital requirements. During the financial year 2026-27 the company estimates that its trade receivable days will be stable in at 89days in line with previous financial year which is in line with the receivable days of FY 2025-26.
Inventory	Inventory refers to the raw materials, stock in trade, and finished goods that a company holds for production purposes. Past trend of inventory holding period has been between the ranges of 72 to 84 days in the last financial years. Inventory holding days for FY 2025-26 and FY 2024-25 is 78 days and 84 days respectively. In last 2 years company's sales has increased from Rs. 33,536.93 lakhs in FY 2024-25 to Rs. 34,362.62 lakhs in FY 2025-26. The company estimates inventory holding levels at 78 days in FY 2026-27 for maintaining continuous production cycle.
Other Current Liabilities	Other current liabilities include provisions, statutory dues, expenses payable, etc. However, going forward, the Company does not foresee any major change and expected to get proportionally increased due to increase in operations and turnover.
Short term borrowings	The company is planning to reduce its working capital limits from bank by Rs. 715.00 lakhs in order to save on interest costs. Textile industry being cost sensitive market, it will help the company to realize better operational profits.
Short term provisions	Short term provisions primarily include provision for Gratuity and provision for taxation. Short term provisions have been maintained in line with the increase of projected business income/expenses for the forthcoming years.
Short-term Loans and Advances	This includes mostly advance to suppliers, employees, prepaid insurance expenses and Balance with Govt. authorities. The Company does not foresee any major change and expected to get proportionally increased due to increase in operations and turnover.
Revenue from operations	Revenue from operations comprises direct sale of products. Past trend of revenue from operations for financial year 2023-24, 2024-25 and 2025-26 is Rs. 27,148.80, 33,536.93 and 34,263.62 lakhs respectively. Estimated increase in Revenue from operations is attributable to Company's plans to increase its production capacity and improve quality in existing facility by upgrading certain machineries.
Holding Period	**FY 2023–24 – 67 Days** In FY 2023–24, the Company began transitioning from job work to in-house manufacturing, supported by an equity infusion of ₹200 lakhs in March 2023. ➢ This capital enabled the Company to procure its own raw materials and undertake direct manufacturing for sale in the open market.

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	➢ As a result, job work revenue declined from ₹1,717.35 lakhs in FY 2022–23 to ₹510.30 lakhs in FY 2023–24. ➢ Simultaneously, inventory levels increased as the Company began purchasing and maintaining stock of raw materials, work-in-progress, and finished goods. This transition led to an increase in the holding period to 67 days, reflecting the buildup of inventory required for independent manufacturing operations. **FY 2024–25 – 85 Days** In FY 2024–25, the Company substantially reduced its dependence on job work, with revenue from job work declining sharply to ₹23.41 lakhs. ➢ The operations became fully in-house manufacturing oriented, supported by enhanced working capital limits from banks. ➢ Inventory levels increased further (₹4,556.36 lakhs → ₹6,032.76 lakhs) due to higher production volumes and wider product offerings. ➢ Capacity utilization improved from 162.58 lakh meters to 198.41 lakh meters, requiring more input stock and finished goods inventory. These factors collectively resulted in a higher holding period of 85 days. **FY 2025-26 – 99 Days** In FY 2025-26, the Company substantially reduced its dependence on job work, with revenue from job work declining sharply to ₹2.33 lakhs. ➢ The operations became fully in-house manufacturing oriented, supported by enhanced working capital limits from banks. ➢ Inventory levels increased further (₹6,032.76 lakhs → ₹6,583.39 lakhs) due to wider product offerings. ➢ Number of days for trade payables has gone down to 73 days in FY 2025-26 from 88 days in FY 2024-25. These factors collectively resulted in a higher holding period of 99 days. **FY 2026-27 – 94 Days** In FY 2026-27, it is projected that holding period will be in line with FY 2025-26 with minor reduction in inventory holding period to 78 days in FY 2026-27 from 84 days in FY 2025-26 with increase in sales to ₹38,641.00 lakhs in FY 2026-27 from ₹34,263.62 lakhs in FY 2025-26 .
Net Working Capital	Net working capital is the difference between a company's current assets and current liabilities, representing the funds available for day-to-day operations. It is a crucial indicator of a business's short-term financial health and liquidity. One significant factor influencing working capital requirements is the size and scale of the business, as increased sales volume directly impacts these needs. For FY 2026-27, the company projects a total net working capital requirement of ₹ 9,546.83 lakhs, which will be financed through equity/internal accruals of ₹ 3,653.83 lakhs, short term borrowings of ₹3,858 lakhs and proceeds from an IPO amounting to ₹ 2,035.00 lakhs. As the company's operations and scale are expected to grow steadily, this will likely result in increased revenue.

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Working Capital Cycle	Working Capital Cycle in the FY 2023-24, 2024-25 and 2025-26 was 67, 85 and 99 days respectively. And now we are estimating working capital cycle to be 94 days in year 2026-27. Justification for such an increase are as follows: The company expects working capital cycle to stay in line with FY 2025-26 with minor reduction in trade payable days with better liquidity which in turn will help in better inventory management as well help get trade discounts. The increase in working capital during FY 2023–24 and FY 2024–25 is primarily due to higher production and revenue growth. The Company's production increased significantly from 84,08,733 MTRS/annum in FY 2023 to 1,62,57,755 MTRS/annum in FY 2024, resulting in higher levels of inventories and trade receivables. During the same period, the Company reduced its trade payable holding period from 120 days to 108 days, leading to higher net working capital. The Company deployed its cash accruals back into the business to reduce dependence on trade payables and strengthen supplier relationships. In FY 2024–25, production further increased to 1,98,40,507 MTRS/annum, driving a proportionate increase in trade receivables and inventories in absolute terms. Despite a 23.53% increase in revenue, the holding periods of receivables and inventories remained stable, demonstrating efficient working capital management. Moreover, the Company further improved its payables cycle, reducing trade payable days from 108 days in FY 2024 to 88 days in FY 2025, highlighting continued efforts to optimize liquidity and maintain healthy supplier terms.

Additional Justification:

The increase in trade receivables and inventories over the past periods and estimated period is primarily attributable to the following factors:

1. **Gradual Reduction of Job Work Component:**
   - The Company's business earlier included a limited portion of job work.
   - In subsequent periods, this component was progressively reduced to negligible levels by FY 2024–25, as the Company shifted focus toward its core in-house manufacturing and direct sales operations.
   - This transition necessitated higher procurement and maintenance of raw materials, work-in-progress, and finished goods, leading to an increase in inventory levels.

2. **Expansion of Operations and Capacity Utilization:**
   - The Company has progressively enhanced its installed and utilized capacity, which has resulted in higher production volumes and larger stock levels to support continuous operations.
   - Increased production has also necessitated higher levels of raw material inventory to ensure uninterrupted supply and timely fulfillment of customer orders.

3. **Growth in Sales and Customer Base:**
   - As the Company's sales volumes expanded with the shift to direct manufacturing, credit sales to customers also increased.
   - This has resulted in higher trade receivables in absolute terms, consistent with the overall revenue growth and expansion of the customer base across multiple regions.

4. **Extension of Credit Terms in Line with Industry Practice:**

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- To maintain competitive positioning and strengthen relationships with distributors and institutional buyers, the Company has extended standard credit terms consistent with industry norms.
- Although trade receivables have increased in absolute terms, the credit period remains reasonable and within the normal business cycle for the textile and fabric processing industry.

5. **Capacity Expansion and Future Growth:**
   - The Company has proposed to install an additional 39 lakh meters per annum of dyed and printed fabric manufacturing capacity.
   - This expansion will require proportionate buildup of inventories (both raw materials and finished goods) and is expected to result in higher trade receivables corresponding to the projected increase in turnover.

6. **Efficient Working Capital Management:**
   - The rise in trade receivables and inventories is proportionate to revenue growth and operational expansion.
   - The Company continues to monitor credit exposure and inventory levels closely to maintain an efficient working capital cycle in line with its growth plan.

Conclusion
The increase in trade receivables and inventories is a direct consequence of the Company's operational expansion, capacity enhancement, and transition from a job work service provider to a fully integrated manufacturing entity. The levels remain within industry norms and are commensurate with the scale and nature of the Company's business.

This certificate is issued based on the restated financial statements as at 31st March 2024, 31st March 2025, 31st March 2026 and as per the management estimates as at as at 31st March 2027. Certification of working capital does not imply assurance or guarantee of actual financial performance and actual results may differ from these estimates due to changes in economic conditions, business operations, or other unforeseen factors.

Yours faithfully,

M/s. S N Shah & Associates,
Chartered Accountants
Firm Registration Number: 109782W

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CA Priyam Shah
(Partner)
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Date: 25th August, 2026
UDIN: 26144892WIFWRJ4044