

WORKING CAPITAL REQUIREMENT CERTIFICATE OF
SNEHAA ORGANICS LIMITED

To,
The Board of Directors
SNEHAA ORGANICS LIMITED
Plot No.290&291, Dhoolapally Adj to IDA,
Jeedimetla, Hyderabad- 500055.
Telangana - India.

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, 2026	As at 31st March, 2025	As at 31st December , 2024	As at 31st March, 2024	As at 31st March, 2023	As at 04th July, 2022	As at 31st March, 2022
	Estimated	Estimated	Restated	Restated	Restated	Restated	Restated
Current Assets							
Inventories	1,309.63	266.22	382.76	39.04	98.27	97.20	87.47
Trade Receivables	3,670.20	900.58	896.15	648.64	378.87	405.70	360.65
Short-Term Loans and Advances	343.37	167.15	161.11	117.77	114.87	102.57	77.20
Other Current Assets	4.48	3.74	5.53	-	0.87	3.12	-
Total (A)	5,327.68	1,337.69	1,445.55	805.46	592.89	608.58	525.32
Current Liabilities							
Short-Term Borrowings	-	158.23	93.79	72.94	3.17	3.26	333.71
Trade Payables	174.73	112.95	363.40	378.61	185.87	240.06	97.48
Other Current Liabilities	65.24	40.99	53.27	38.73	36.11	184.57	19.61
Short-Term Provisions	388.20	252.23	240.19	142.81	113.65	139.70	132.53
Total (B)	628.17	564.40	750.64	633.08	338.80	567.60	583.34
Net Working Capital (A)-(B)	4,699.51	773.29	694.91	172.37	254.09	40.99	(58.02)
Sources of Working Capital							
Proceeds from IPO	2660.18	-	-	-	-	-	-

Sumit

Working Capital funding from Banks and Financial Institutions (cash credit)	500.00	300.00	400.97	-	-	-	-
Internal Accruals/Net worth	1,539.33	473.29	293.94	172.37	254.09	40.99	-

Sources of Internal Accruals estimated by Company to meet ₹ 4.73 crores in FY 24-25 gap:

- **Net Profit After Tax:** The Company has estimated Net Profit of around ₹ 1.24 crores from 01st January, 2025 to 31st March, 2025.
- **Retained Earnings:** The Company has an unutilized amount of approx. ₹ 6.31 crores at the end of the stub period i.e. 31st December, 2024 and the same can be utilized to meet the required gap.
- **Cash and Cash Equivalent:** The Company has estimated cash of around ₹1.26 crores from 01st January, 2025.

Sources of Internal Accruals estimated by Company to meet incremental gap of ₹ 15.39 crores in FY 25-26 from FY 2024-25:

- **Net Profit After Tax:** The Company has estimated Net Profit of around ₹ 11.54 crores in FY 2025-26 and the same can be utilised to meet the required gap.
- **Retained Earnings:** The Company has an unutilized amount of approx. ₹ 7.54 crores at the end of the FY 2024-25 i.e. 31st March, 2025 and the same can be utilized to meet the required gap.
- **Cash and Cash Equivalent:** The Company has estimated cash of around ₹ 2.87 crores from 31st March, 2025.

Details of Estimation of Working Capital requirement are as follows:

“Amount in Lakhs”

Particulars	As at 31 st March, 2026	As at 31 st March, 2025	As at 31 st December, 2024	As at 31 st March, 2024	As at 31 st March, 2023	As at 04 th July, 2022	As at 31 st March, 2022
	Estimated	Estimated	Restated	Restated	Restated	Restated	Restated
Inventory	1,309.63	266.22	382.76	39.04	98.27	97.20	87.47
Trade Receivables	3,670.20	900.58	896.15	648.64	378.87	405.70	360.65
Trade Payable	174.73	112.95	363.40	378.61	185.87	240.06	97.48
Net Working Capital	4,699.51	773.29	694.91	172.37	254.09	40.99	(58.02)
Revenue from Operations	7,593.52	644.35	2,055.30	2,371.79	1,365.23	645.02	2173.40
Net Purchases	6,311.03	301.44	1,015.81	1,122.38	541.50	439.25	1,528.85
% of Inventory / Revenue from operations *	17.25%	10.19%	13.99%	1.65%	5.32%	3.92%	4.02%

Prakash

% of Trade receivables/ Revenue from operations *	48.33%	34.46%	32.76%	27.35%	20.53%	16.37%	16.59%
% of Trade Payable /Revenue from operations *	2.30%	4.32%	13.28%	15.96%	10.07%	9.69%	4.49%
% Net Working Capital /Revenue from Operations*	61.89%	120.01%	33.81%	7.27%	18.61%	6.35%	(2.67)%

*Figures of December is annualised

“ In Days”

Particulars	As at 31 st March, 2026	As at 31 st March, 2025	As at 31 st December, 2024	As at 31 st March, 2024	As at 31 st March, 2023	As at 04 th July, 2022	As at 31 st March, 2022
No. of Days for Trade Payables	8	71	100	92	106	37	27
No. of Days for Trade Receivables	110	125	103	79	78	56	45
No. of Days for Inventory Days	55	92	86	21	49	20	12
Working capital cycle days	156	146	89	8	20	40	30

Note:

1. 365 days has been considered in a year.
2. Holding period level (in days) of Trade Receivables is calculated by dividing average 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 average trade payables by purchases multiplied by number of days in a year.
4. Holding period level (in days) of inventories is calculated by dividing average inventories by cost of goods sold multiplied by number of days in a year.
5. *% has been annualised for the period ended 04th July 2022, 31st March 2023, 31st December 2024 and 31st March 2025.

Runita

Rationale for Increase in working capital gap from financial year 2024-25 to financial year 2025-26:

The Company is planning to operate 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 Company's projected revenue from operations to be increased by approximately 180% in FY 2025-26 as compare to FY 2024-25. As per the management's estimation, the working capital requirement for FY 2024-25 is expected to be ₹ 773.29 Lakhs which will be financed through internal accruals 473.29 lakhs and through cash credit amounting to ₹ 300 Lakhs. Working capital requirement for FY 2025-26 is expected to be ₹ 4699.51 Lakhs which will be financed through internal accruals of ₹ 1539.33 lakhs and proceeds from an IPO amounting to ₹ 2660.18 lakhs and through cash credit amounting to ₹ 500 Lakhs.

The company is planning to make a strategic shift to operational diversification by relying less on job work material and in turn purchasing the raw material from open market and distilling the same. This will increase the Company's sales during financial year 2025-26 and to meet the additional sales demand, the Company will have to increase its inventory in financial year 2025-26 up to ₹ 1309.63 Lakhs from ₹ 266.22 Lakhs in financial year 2024-25. Since the Company is Purchasing a material from the open market by paying amount in advance to the vendors credit period of the company decreased from 71 days to 8 days in financial year 2024-25. Targeting operational diversification i.e. Purchasing a material from the open market and make a distillation and sale to a new customer by offering extended credit periods, the trade receivables are expected to increase from ₹ 900.58 lakhs in financial year 2024-25 to ₹ 3670.20 lakhs in financial year 2025-26 Resulting, more extended receivable days i.e., 125 days in financial year 2024-25 and 110 days in financial year 2025-26 as compared to 103 days in financial year 2023-24.

Justification:

Trade Payable Days	<p>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.</p> <p>Past trend of trade payable has been between the ranges of 27 to 100 days in the last financial years/ stub period. Trade payable days in financials year 2021-22 and for the period ended 04th July, 2022 is 27 and 37 days respectively. The decline in trade payable days during this period was primarily due to the impact of the COVID-19 pandemic, which led to supply chain constraints and disruptions. To ensure the timely procurement of essential materials, payment schedules were adjusted, resulting in shorter payable cycles. This trend was consistent across the industry, as peer companies also faced similar challenges in managing trade payables during this time. However, as the pharmaceutical industry dynamics have stabilized, supply chain operations have gradually returned to normal. With improved material availability and streamlined procurement processes, trade payable cycles are expected to align with in the past trend ranges.</p> <p>As of end of financial year 2025-26 the number of trade payables days has significantly decreased due to Purchasing a raw material from the open market by paying amount in advance to the vendors. This reduction is solely attributed to our participation in the open bidding process of various pharmaceutical companies, where we are required to win the auction by quoting a lower price, and payment terms need to be specified on an immediate basis.</p>
---------------------------	---

Primi Nakt

Trade Receivable Days	<p>Trade receivable consists of debt owned by debtors. Past trend of trade receivable has been between the ranges of 45 to 103 days in the last financial years/ stub period. Trade receivable days in financials year 2021-22 2022-23 and 2023-24 is 45,56,78,79 respectively. This increase is primarily attributable to the impact of the COVID-19 pandemic on supply chain dynamics. During the pandemic, due to supply chain constraints and liquidity management, the company had to offer a shorter credit period to customers to maintain cash flow. However, as industry conditions improved and market dynamics normalized, the company gradually extended credit periods, bringing trade receivable days in line with prevailing market practices.</p> <p>During the financial year 2025-26 and for financial year 2024-25 there was a noticeable increase in trade receivable days compared to previous years. The company extended a longer credit period to its customers as a generic practice in pharma industry and towards market acquisition, resulting in a higher trade receivable holding period of 110 days. This was also accompanied by growth in annualized Revenue from Operations compared to FY 2025-26.</p> <p>Total trade receivables are expected to increase in line with business volumes and projected business activity in the financial year 2024-25 and 2025-26.</p>
Inventory	<p>Inventory refers to the raw materials, stock in trade, and finished goods that a company holds for trading and production purposes. Past trend of inventory holding period has been between the ranges of 12 to 49 days in the last financial years/ stub period.</p> <p>Inventory holding days for FY 2025-26 and FY 2024-25 and for stub period is 55,92,86 days respectively. This increase is attributable to company had constructed a storage facility leading to higher inventory levels for supply in the market during suitable or favorable conditions and this will also lead to margin expansion.</p> <p>For the FY 2025-26, there is shift in business model i.e. reducing dependency from job work to purchase and process. This will led to significant increase in the cost of goods sold and thus resulting in less inventory days based on absolute values.</p>
Other Current Liabilities	<p>Other current liabilities include advance from customers, 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.</p>
Short term borrowings	<p>Company has availed short-term borrowing of facility ₹ 500.00 lacs comprising CC limit from Banks to finance its working capital requirements.</p>
Short term provisions	<p>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.</p>
Short-term Loans and Advances	<p>This includes mostly advance to suppliers, employees etc., the Company does not foresee any major change and expected to get proportionally increased due to increase in operations and turnover.</p>

Amith

Other Current Assets	Other current assets include, prepaid insurance expenses and Balance with Govt. authorities.
Revenue from operations	<p>Revenue from operations comprises direct sale of products, revenue from distillation of products and income from job work charges. Past trend of revenue from operations for financial year 2021-22, 2022-23 and 2023-24 and for the stub period is Rs. 2173.40, 2010.25, 2371.79 and 2055.30 lakhs respectively.</p> <p>Estimated increase in Revenue from operations is attributable to Company's plans to Purchasing a material from the open market and make a distillation and sell to customer.</p>
Net Working Capital	<p>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.</p> <p>For FY 2024-25, the company projects a total working capital requirement of ₹. 773.29 lakhs, which will be financed through internal accruals ₹ 473.29 Lakhs and through cash credit amounting to ₹ 300 Lakhs.</p> <p>For FY 2025-26, the company projects a total net working capital requirement of ₹. 4,699.51 lakhs, which will be financed through internal accruals of ₹ 1539.33 lakhs and proceeds from an IPO amounting to ₹ 2660.18 lakhs and through cash credit amounting to ₹ 500 Lakhs.</p> <p>As the company's operations and scale are expected to grow steadily, this will likely result in increased revenue from Open markets. Consequently, a larger proportion of funds will be allocated to trade receivables and inventories, further increasing working capital needs in the coming years.</p>
Working Capital Cycle	<p>Working Capital Cycle in the FY 2021-22, 2022-23, 2023-24 and stub period ended December 31, 2024 was 30, 40, 20, 8, 89 days respectively. And now we are estimating working capital cycle to be 129 and 156 days in year 2024-25 and 2025-26.</p> <p>Justification for such an increase are as follows:</p> <ol style="list-style-type: none"> Trade Receivables are expected to increase and that will impact working capital cycles drastically. Trade Receivables will increase in FY 24-25 and FY 25-26 as company will put its more effort on adding new customers and in order to improve customer Relation Company will give longer credit period to compete.

This certificate is issued based on the restated financial statements as at 31st December 2024, 31st March 2024, 31st March 2023, 04th July 2022, 31st March 2022 and as per the management estimates as at as at 31st March 2025 and 31st March 2026. Certification of working capital does not imply assurance or guarantee of actual

Srinivasa

financial performance and actual results may differ from these estimates due to changes in economic conditions, business operations, or other unforeseen factors.

Yours faithfully,

For Phanindra & Associates
Chartered Accountants
FRN: 013969S
Peer Review Certificate No: 015912



Srinivasulu T
Partner
M.No : 222868



UDIN: 25222868BBIJRV4712
Place: Hyderabad
Date: 28th March, 2025