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CERTIFICATE ON WORKING CAPITAL

To,
The Board of Directors
Magenta Lifecare Limited
N P Patel Estate, A & T Padamla, Vadodara –
391350,Gujarat, India

To,
Fedex Securities Private Limited
3rd Floor, B Wing, Jay Chambers,
Dayaldas Road, Vile Parle East,
Mumbai – 400057

(Fedex Securities Private Limited is hereinafter referred to as the “Lead Manager” or “LM”)

Dear Sir / Madam,

Subject: Certificate for instances of default or non-payment of statutory dues

Re: Proposed initial public Issue (“IPO”) of equity shares of face value Rs. 10 each (“Equity Shares”) by Magenta Lifecare Limited (“Company”) (“Issue”) in accordance with the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI ICDR Regulations”), and other applicable laws, as amended

At the request of the Company, the working capital requirement figures proposed to disclose as part of the objects of the issue from the Restated Financial Statements for the period ended December 31, 2023 and for the Financial Year ended March 31, 2023, for the Financial Year ended March 31, 2022 and for the Financial Year ended March 31, 2021, and for the period ended April 30, 2023 respectively.

The following financial information of Restated Financial Statements to be included in the Draft Prospectus/Prospectus as one of the objects of the issue:

The Company have historically funded a majority of our working capital requirements in the ordinary course of business from our internal accruals or borrowing. Our Company requires additional working capital for meeting the future demand for its products, for funding future growth requirements of our Company and for other business purposes and the Net Proceeds deployed towards funding our working capital requirements are proposed to be utilized for the purposes.

The Company’s existing working capital requirements for the period ended December 31, 2023 and for the for the Financial Year ended March 31, 2023, for the Financial Year ended March 31, 2022 and for the Financial Year ended March 31, 2021 respectively which have been derived from the Restated Financial Statement and funding of the same are as set out in the table below:

(₹ in lakhs)

Sr. No.	Particulars	As on December 31, 2023 (Restated)	As at March 31, 2023 (Restated)	As at March 31, 2022 (Restated)	As at March 31, 2021 (Restated)
I	Current assets				
	Inventories	730.68	675.38	653.52	616.15
	Trade receivables	239.15	140.77	262.19	336.00
	Short Term Loans & Advances	30.23	6.82	4.21	6.69
	Total Current Assets (A)	1000.06	822.96	919.92	958.84
II	Current liabilities				
	Trade payables	275.85	247.68	177.60	233.31
	Other Current Liabilities	104.62	19.55	22.41	114.99
	Short term provisions	19.07	9.00	7.00	3.75
	Total current liabilities (B)	399.54	271.11	277.09	296.34
	Net working capital (A – B)	600.52	545.87	623.59	624.63
III	Sources of funds				
	Short-term borrowings	212.14	352.97	359.61	343.70
	Internal Accruals	388.38	192.90	263.98	142.84
	Long-term borrowings	-	-	-	138.09
	Total Means of Finance	600.52	545.87	623.59	624.63

Expected working capital requirements



The estimates of the working capital requirements for the Financial Year ended March 31, 2024 and March 31, 2025 has been prepared based on the management estimates of current and future financial performance. The projection has been prepared using set of assumptions that include assumptions about future events and management's action that are not necessarily expected to occur.

On the basis of existing working capital requirements and estimated working capital requirements, Board pursuant to its resolution dated May 21, 2024 has approved the projected working capital requirements for Financial Year March 31, 2025 with the assumptions and justifications for holding levels, and the proposed funding of such working capital requirements, as set forth below:

(₹ in lakhs)

Sr. No.	Particulars	As at March 31, 2025 (Estimated)
I	Current assets	
	Inventories	1027.00
	Trade receivables	245.00
	Short Term Loans & Advances	5.00
	Total Current Assets (A)	1277.00
II	Current liabilities	
	Trade payables	287.00
	Other Current Liabilities	25.00
	Short term provisions	3.00
	Total current liabilities (B)	315.00
	Net working capital (A – B)	962.00
III	Sources of funds	
	Short term borrowings from banks	350.00
	Internal accruals	188.00
	IPO proceeds	424.00
	Total Means of Finance	962.00

Assumptions for our estimated working capital requirement:

(in days)

Particulars	Holding Levels (March 31, 2025)	Holding levels (As on December 31, 2023)	Holding Levels (March 31, 2023)	Holding Levels (March 31, 2022)	Holding Levels (March 31, 2021)
	Projected	Restated*	Restated*	Restated*	Restated*
Inventories	250	334	272	258	233
Trade receivables	60	109	57	104	127
Short Term Loans & Advances	1	14	3	2	3
Total Current Assets (A)	311	457	332	364	363
Current Liabilities (excluding borrowings and income tax liabilities)					
Trade payables	70	126	100	70	88
Other Current Liabilities	6	48	9	45	4
Short term provisions	1	9	3	1	34
Total current liabilities (B)	77	183	112	116	126



Particulars	Holding Levels (March 31, 2025)	Holding levels (As on December 31, 2023)	Holding Levels (March 31, 2023)	Holding Levels (March 31, 2022)	Holding Levels (March 31, 2021)
	Projected	Restated*	Restated*	Restated*	Restated*
Working Capital Cycle (A-B)	234	274	220	248	237

The table below sets forth the key assumptions for working capital projections:

Particular	Assumption
Inventory	Our Company had maintained inventory holding period of 233 days in Fiscal 2021, 258 days in Fiscal 2022 and 272 days in Fiscal 2023. For the period ended December 31, 2023 holding period of inventory were 334 days. The increasing in inventory days will converge to estimated inventory days by end of Fiscal. We expect that the holding level will be around 250 days for Fiscal 2025.
Trade Receivable	The holding levels of trade receivables were at 127 days in Fiscal 2021, 104 days in Fiscal 2022 and 57 days in Fiscal 2023. As our strategy, our Company has taken steps to improve trade receivable days by rationalizing sales mix. We have been able to reduce trade receivable days from 127 days in Fiscal 2021 to 57 days in Fiscal 2023. However, we consider that we would be able to maintain the trade receivables around 60 days in the Fiscal 2025.
Trade Payable	Our Company had maintained trade payables at 88 days in Fiscal 2021, 70 days in Fiscal 2022 and 100 days in Fiscal 2023. As our strategy, we would reduce our trade payable days to 70 days for Fiscal 2024 and 70 days for Fiscal 2025 with an objective to improve our gross margin on sales. For the period ended December 31, 2023 holding period of trade payable were 126 days


For the purpose of above working, we have performed the following procedures:

1. Traced the details of the Company's working capital requirement and funding of the same from the borrowing and internal accrual which is derived from the Restated Standalone Financial Statement.

This letter is being delivered to the addressees in connection with the Draft Prospectus / Prospectus of MAGENTA LIFECARE LIMITED (the "Company") in relation to the initial offering of equity shares of the Company in a public offering in India.

Yours sincerely,

For S S R V and Associates,
Chartered Accountants
Firm Registration No.: 12590100000


Vishnu Kant Kabra
Partner
Membership No.: 403437
Place: Mumbai
Date: 22nd May, 2024
UDIN: 24403437BKAJJP8273

