



**Certificate in relation to objects of the Offer – Working Capital**

**Date: February 19, 2024**

To:

The Board of Directors,  
**Krystal Integrated Services Limited**  
Krystal House, 15A17 Shivaji Fort CHS,  
Duncans Causeway Road,  
Mumbai- 400 022

**Inga Ventures Private Limited**  
1229, Hubtown Solaris, N.S. Phadke Marg,  
Opp. Telli Galli, Andheri (East),  
Mumbai 400 069

(Inga Ventures Private Limited and any other book running lead manager which may be appointed in relation to the Offer are collectively referred to as the “**Book Running Lead Manager**” or the “**BRLM**”)

**Re: Proposed initial public offering of equity shares of face value of Rs. 10 each (the “Equity Shares” and such offering, the “Offer”) of Krystal Integrated Services Limited (the “Company”)**

We, Maheshwari & Co., Independent Chartered Accountants, have received a request from the Company to verify and certify the existing working capital and funding requirements on the basis of the restated statements of assets and liabilities as at September 30, 2023, March 31, 2023, March 31, 2022 and March 31, 2021, the restated statements of profits and losses (including other comprehensive income) and the restated statements of cash flows and changes in equity for the six months ended September 30, 2023 and financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 of the Company (together, the “**Working Capital Financial Statements**”), which forms a part of the restated financial statements of the Company on a standalone basis for the six months ended September 30, 2023 and year ended March 31, 2023, March 31, 2022 and March 31, 2021 (together, the “**Restated Financial Statements**”).

Accordingly, we have obtained and verified the following documents:

- (a) Working Capital Financial Statements;
  - (b) Obtained the working for the existing working capital requirements prepared by the Company for the six months ended September 30, 2023 and year ended March 31, 2023, March 31, 2022 and March 31, 2021, based on the Working Capital Financial Statements.
  - (c) Obtained the Board Resolutions approving the business plan and financial projections of the Company for the financial years ended March 31, 2024, and March 31, 2025
1. Based on the above procedures, information and explanations provided by the management of the Company, we confirm that as of September 30, 2023, the company’s existing working capital and funding requirements compiled on the basis of Working Capital Financial Statements for the six months ended September 30, 2023 and financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 are as follows:

*(₹ in million)*

S. No.	Particulars	As of September 30, 2023	As of March 31, 2023	As of March 31, 2022	As of March 31, 2021
<b>I.</b>	<b>Current assets</b>				
	Trade Receivables	2126.61	1,452.24	2,360.93	1,976.61
	Cash & Other Bank Balances	247.82	97.78	223.40	213.21
	Other financial assets*	248.68	30.35	17.83	45.58
	Income tax assets (net)	77.98	12.61	60.68	33.83



	Other current assets	70.67	45.97	70.03	83.23
	Inventories	4.50	4.95	58.41	22.24
	<b>Total current assets (A)</b>	<b>2,776.26</b>	<b>1,643.90</b>	<b>2,791.27</b>	<b>2,374.70</b>
<b>II.</b>	<b>Current Liabilities</b>				
	Lease liabilities	8.47	6.80	9.71	13.43
	Trade Payables	462.58	139.55	479.89	360.66
	Other Financial Liabilities	591.63	540.97	585.72	555.55
	Other Current Liabilities	388.74	443.45	429.16	289.03
	Current Provisions	96.36	127.77	112.71	98.31
	<b>Total current liabilities (B)</b>	<b>1,547.77</b>	<b>1,258.53</b>	<b>1,617.19</b>	<b>1,316.98</b>
<b>III.</b>	<b>Total working capital requirement (A-B)</b>	<b>1,228.49</b>	<b>385.37</b>	<b>1,174.08</b>	<b>1,057.72</b>
<b>IV.</b>	<b>Funding pattern</b>				
	Short term borrowing	794.70	204.77	246.54	306.78
	Internal Accruals / net worth	433.79	180.60	927.54	750.94
	<b>Total</b>	<b>1,228.49</b>	<b>385.37</b>	<b>1,174.08</b>	<b>1,057.72</b>

\* Other Financial Assets excludes Cash and Cash Equivalents

2. On the basis of Company's existing working capital requirements and the projected working capital requirements, the Board of Directors of the Company pursuant to their resolution dated February 17, 2024 have approved the business plan and financial projections for the financial years ending ended March 31, 2024 and March 31, 2025 and the projected working capital requirements for the respective periods on a standalone basis and the proposed funding patterns for those years.

The following data has been extracted from the minutes of the board meeting dated February 17, 2024:

(₹ in million)

S. No.	Particulars	As of March 31, 2024	As of March 31, 2025
<b>I.</b>	<b>Current Assets</b>		
	Inventories	22.74	21.97
	Trade Receivables	2,564.88	3,150.84
	Cash & Other Bank Balances	114.05	116.69
	Other current assets*	157.63	161.12
	<b>Total current assets (A)</b>	<b>2,859.30</b>	<b>3,450.62</b>
<b>II.</b>	<b>Current Liabilities</b>		
	Trade Payables	399.16	382.68
	Other Current Liabilities**	1637.89	1651.00
	<b>Total current liabilities (B)</b>	<b>2,037.05</b>	<b>2,033.68</b>
<b>III.</b>	<b>Total working capital requirement (A-B)</b>	<b>822.25</b>	<b>1,416.94</b>
<b>IV.</b>	<b>Funding Pattern</b>		
	Short term borrowing	392.29	204.29
	IPO Proceeds	150.00	850.00
	Internal Accruals / net worth	279.96	362.65
	<b>Total</b>	<b>822.25</b>	<b>1,416.94</b>

\* Other current assets includes other financial asset, income tax assets and other current assets

\*\* Other current liabilities includes lease liabilities, other financial liabilities, current provisions and other current liabilities..



3. The table below contains the details of the holding levels (in number of days) considered and is derived from the Working Capital Financial Statements for the six months ended September 30, 2023 and financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 and assumptions based on which the working plan projections has been made by the Company and approved by the Board of Directors:

Sr. No.	Particulars	Actual				Estimate	
		As of September 30,23	As of March 31, 2023	As of March 31, 2022	As of March 31, 2021	As of March 31, 2025	As of March 31, 2024
1.	Inventory days	2	7	103	45	7	7
2.	Trade receivables days	89	77	160	156	97	97
3.	Cash & Other Bank Balances \	10	5	15	17	4	4
4.	Other current assets days	17	5	10	13	5	6
5.	Trade payables days	186	193	847	722	122	123
6.	Other Current Liabilities days	70	78	108	113	70	87

- A. Inventory days = Closing Balance / Raw Material consumed \* 365(for year ended on March 31<sup>st</sup>, 2025, 2024, 2023, 2022 & 2021) or 183 (for six months ended on September 30<sup>th</sup>, 2023)
- B. Trade Receivable days = Closing Balance / Revenue from Operations \* 365(for year ended on March 31<sup>st</sup>, 2025, 2024, 2023, 2022 & 2021) or 183 (for six months ended on September 30<sup>th</sup>, 2023)
- C. Cash & Bank Balances days = Closing Balance / Revenue from Operations \* 365(for year ended on March 31<sup>st</sup>, 2025, 2024, 2023, 2022 & 2021) or 183 (for six months ended on September 30<sup>th</sup>, 2023)
- D. Other Current Assets days = Closing Balance / Revenue from Operations \* 365(for year ended on March 31<sup>st</sup>, 2025, 2024, 2023, 2022 & 2021) or 183 (for six months ended on September 30<sup>th</sup>, 2023)
- E. Trade Payable days = Closing Balance / Raw Material consumed \* 365(for year ended on March 31<sup>st</sup>, 2025, 2024, 2023, 2022 & 2021) or 183 (for six months ended on September 30<sup>th</sup>, 2023)
- F. Other Current Liabilities days = [(Closing Balance – Balance of Lease liabilities) / (Employee cost + Employee cost HO + Other Expenses, except non recurring expenses) + (Balance of Lease liabilities / Other Expenses, except non recurring expenses)]\* 365(for year ended on March 31<sup>st</sup>, 2025, 2024, 2023, 2022 & 2021) or 183 (for six months ended on September 30<sup>th</sup>, 2023)

4. The working capital projections made by the Company on the basis of the Working Capital Financial Statements pursuant to the resolutions mentioned above are based on the following key assumptions:

*Key assumptions and justification for Holding Period Levels*

Particulars	Assumptions and justifications
<b>Current assets</b>	
Trade Receivables	The major clients of the company are Government clients. Even though the company has an agreement with them for recovery of dues for 60-90 days, there has always been a practice of late payment due to their technical issues eg. Budget release, PO not made, Billing not on time, etc. However, the company has to provide service according to the agreement and hence the agreed days get delayed practically. In FY 2021, COVID adversely affected the business worldwide which was out of the company's control, the receivable days increased to 156 days and it subsequently affected next FY 2022 also which resulted in 160 days. The majority of accumulated receivables were collected



<b>Particulars</b>	<b>Assumptions and justifications</b>
	<p>towards the end of Financial Year 2023 &amp; six months ended September 30, 2023 which brings down receivable drastically up to 77days &amp; 89 days respectively.</p> <p>In addition to the above, the company has new contracts with customers which have receivable clauses of 60-90 days. However, the company estimated 97 days due to practical issues with the government clients including due to certain technical or administrative issues such as delays in budget allocation and release. PO not made, billing not on time, etc. Hence, the company projected 97 days as Trade Receivable days for FY 2024 &amp; 2025, leading to increase in estimated working capital requirement for such financial years, as compared to Financial Year 2023..</p>
Other current assets	The category of "Other current assets" primarily includes balances such as , security deposit, Advance to suppliers, Balances with statutory authorities, and other similar items. To align with the projected business activity, the company has projected the level of other current assets as of 6 day for the Financial Years 2024 and 5 days for Financial Year2025
Inventories	The Company's inventory holding period for Financial Year 2024 & Financial Year 2025 is in line with the holding period for Financial Year 2023 (figures of 2021 & 2022 are not considered for comparison since Covid adversely affected the business worldwide which was out of the companies control) and has been projected as 7 days.
Cash and Bank balances	The Company Cash and Bank balances days projected for FY 2024 & 2025 are 4 days which is in the line of FY 2023 having 5 days. We are not comparing figures of FY 2021 & FY 2022 and the reason is the same as mentioned for assumption for Trade receivable days
<b>Current liabilities</b>	
Trade Payables	The Company's trade payable days (with respect to payments to be made to suppliers of raw materials) for Financial Year 2024 and Financial Year 2025 are in line with the Financial Year 2023 (figures of Financial Years 2021 & 2022 are not considered for comparison since Covid adversely affected the business worldwide which was out of our control). As Company was unable to recover the Trade Receivables on time during Financial Years 2021 and 2022, the Company's capacity to clear its Trade Payables was adversely affected. Subsequently, as a majority of such accumulated Trade Receivables were collected by the end of Financial Year 2023, it resulted in a higher clearing of the Trade Payables in Financial Year 2023, as compared to Financial Years 2021 and 2022, with trade payables days dropping drastically from 847 days (in Financial Year 2022) to 193 days (in Financial Year 2023). The Company has received an order for installation and maintenance of smart TVs at schools, cameras at police stations etc, which involves procurement of TVs, cameras and such other technology based products. The credit cycle for these products are between 120 days, which constitutes major portion of raw materials consumed (as per RFS). These contracts are for 2 years, therefore blended trade payable has been projected at 123 days & 122 days for the Financial Years 2024 and 2025.
Other Current Liabilities	The category of "Other current liabilities" primarily includes items such as Wages Payable, Provision for Employee Benefits, statutory payments dues, advances from customers, Tax Expenses, and other similar obligations. To align with the projected business activity, the company has projected the level of other current liabilities within the range of 70-87 days for the Financial Years 2024 and 2025

Based on our examination and as per information and explanation given to us, we confirm that the information in this certificate is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

We hereby confirm that while providing this certificate we have complied with the Code of Ethics and the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the Institute of Chartered Accountants of India.



This certificate is issued for the purpose of the Offer, and can be used, in full or part, for inclusion in the red herring prospectus, prospectus and any other material used in connection with the Offer (together, the “**Offer Documents**”).

We hereby consent to our name and the aforementioned details being included in the Offer Documents and/or consent to 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 BRLMs in connection with the Offer and in accordance with applicable law.

This certificate may be relied on by the BRLMs, their affiliates and legal counsel in relation to the Offer and to assist the BRLMs in conducting and documenting their investigation of the affairs of the Company in connection with the Offer. We hereby consent to this certificate letter being disclosed by the BRLMs, if required (i) by reason of any law, regulation, order or request of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defense in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We undertake to update you of any changes in the abovementioned position until the date the Equity Shares issued pursuant to the Offer 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.

All capitalized terms used but not defined herein shall have the meaning assigned to them in the Offer Documents.

Yours Sincerely,

For **MAHESHWARI & CO.**  
Chartered Accountants  
Firm Registration Number: 105834W

**Nitesh Rajpurohit**  
**Partner**  
**Membership No. 196033**  
**Place of Signature: Mumbai**  
**Date: February 19<sup>th</sup>, 2024**  
**UDIN: 24196033BKFOPK9898**

Cc:

**Legal Counsel to the Offer**

**IndusLaw**  
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