

Certificate on Working Capital Requirements

Date: 15th April, 2024

To,

The Board of Directors

JNK India Limited

Unit No. 203, 204, 205, 206, Opposite. TMC Office,
Centrum IT Park, Near Satkar Hotel,
Thane - West
Thane 400 604
Maharashtra, India

IIFL Securities Limited

24th Floor, One Lodha Place,
Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
Maharashtra, India

ICICI Securities Limited

ICICI Venture House
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Maharashtra, India

(IIFL Securities Limited and ICICI Securities Limited referred to as the “**Book Running Lead Managers**” or “**BRLMs**”)

Sub: Proposed initial public offering of equity shares of face value of ₹ 2 each (the “Equity Shares”) of JNK India Limited (the “Company” and such offer, the “Offer”)

Dear Sir/Madam,

We, CVK & Associates, Statutory Auditors of the Company, have been informed that the Company proposes to file the Red Herring Prospectus with respect to the Offer (the “**RHP**”) with the Securities and Exchange Board of India (“**SEBI**”), BSE Limited and National Stock Exchange of India Limited (collectively, the “**Stock Exchanges**”) and the Registrar of Companies, Maharashtra at Mumbai (“**Registrar of Companies**”) in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**ICDR Regulations**”) and subsequently proposes to file (i) Prospectus with the SEBI, the Stock Exchanges and the Registrar of Companies, (the “**Prospectus**”); and (ii) any other documents or materials to be issued in relation to the Offer (collectively with the RHP and Prospectus, the “**Offer Documents**”).

Mulund:
Office No. 503 / 504, 5th Floor,
360 Degree Business Park L.B.S. Marg,
Next to RMall, Checknaka,
Mulund (West), Mumbai - 400060

Tel/Fax:
91-022-2163 5822
91-022-2163 5890
www.cvk-ca.com

Ghatkopar:
B-12/6, First Floor,
Rajdoot CHS., Anil Ubhare Marg,
Ghatkopar (East),
Mumbai 400 075

Tel/Fax:
91-022-2437 7798
www.cvk-ca.com



We have reviewed the audited standalone financial statements of the Company, for the years ended March 31, 2023, March 31, 2022, and March 31, 2021 and the nine months ended December 31, 2023, together with all the annexures, schedules and notes thereto (collectively, the “**Standalone Financial Statements**”) prepared in accordance with the Companies Act, 2013, as amended and the rules framed thereunder, the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India.

We have also reviewed the books of accounts, statutory registers, transfer pricing reports (Fiscal 2021, Fiscal 2022 and Fiscal 2023), and other statutory records maintained by the Company. We have also relied on the information and explanations presented to us by the Company.

On the basis of the above-mentioned procedures performed by us and verification of relevant facts, we certify that:

The Company proposes to utilise ₹ 2,626.90 million from the Net Proceeds to fund the working capital for meeting business requirements of the Company in Fiscals 2024, 2025 and 2026.

Basis of estimation of working capital requirement:

(a) Existing working capital

Set forth below are the working capital requirements of the Company (on a standalone basis), as on March 31, 2021, March 31, 2022, March 31, 2023 and December 31, 2023.

(in ₹ million)

Particulars	As at the Fiscal ended March 31, 2021	As at the Fiscal ended March 31, 2022	As at the Fiscal ended March 31, 2023	As at the Fiscal ended December 31, 2023
Current assets				
(a) Inventories	51.76	624.37	820.53	1,072.28
(b) Financial Assets				
i. Trade Receivables	540.22	1,100.10	1,143.50	1,362.09
ii. Bank balance apart from Cash and Cash Equivalents ⁽¹⁾	192.22	31.90	311.94	178.57
iii. Loans and Advances	1.80	2.35	13.81	13.03
iv. Others Financial Assets	101.68	47.88	119.13	475.92
(c) Other Current Assets	243.93	243.38	489.57	740.00
Total Current Assets (A)	1,131.61	2,049.98	2,898.48	3,841.89
Current liabilities				
(a) Financial Liabilities				
i. Trade Payables	249.47	455.36	406.12	625.19
ii. Lease Liabilities	9.57	14.70	22.59	18.13
iii. Other Financial Liabilities	96.83	185.74	158.63	168.07
(b) Other Current Liabilities	280.04	1,076.55	844.61	1,051.35



Particulars	As at the Fiscal ended March 31, 2021	As at the Fiscal ended March 31, 2022	As at the Fiscal ended March 31, 2023	As at the Fiscal ended December 31, 2023
(c) Provisions	86.92	37.52	63.45	152.65
(d) Current Tax Liabilities (Net)	22.01	31.93	62.17	132.53
Total Current Liabilities (B)	744.84	1,801.80	1,557.57	2,147.92
Working Capital (C=A-B)	386.77	248.18	1,340.91	1,693.97
Means of Finance				
1. Cash Credit / Working Capital Borrowings	86.97	32.98	305.24	535.08
2. Internal accruals	299.80	215.20	1,035.67	1,158.89

⁽¹⁾ Utilisation of fund based and non-fund based credit limits for working capital requirements
(in ₹ million)

Particulars	Fiscal 2021	Fiscal 2022	Fiscal 2023	As on December 31, 2023	As on January 31, 2024
Fund Based					
State Bank of India [¶]	35.00	35.00	300.00	300.00	300.00
HDFC Bank [*]	-	-	-	50.00	50.00
HDFC Bank [^]	-	-	-	100.00	100.00
Fund based credit limits	35.00	35.00	300.00	450.00	450.00
Utilisation	85.12	31.37	301.41	504.73	508.14
Utilisation %	243.20%	89.63%	100.47%	112.16%	112.92%
Non Fund Based					
State Bank of India [¶]	200.00	200.00	674.50	674.50	674.50
HDFC Bank [*]	-	-	-	450.00	450.00
Non Fund Based Credit Limits	200.00	200.00	674.50	1,124.50	1,124.50
Utilisation	0.00	180.75	638.64	973.23	1,020.93
Utilisation %	0.00%	90.38%	94.68%	86.55%	90.79%

[¶] Fiscal 2021 & 2022 : SBI - Interchangeability of ₹ 50.00 million from Non Fund Based (Bank Guarantee) to Fund Based (Cash Credit)

^{*} Fiscal 2023: SBI - Interchangeability of ₹ 150.00 million from Fund Based (Cash Credit) to Non-Fund Based (Bank Guarantee)

^{*} HDFC – Interchangeability of ₹ 100.00 million from Non Fund Based (Bank Guarantee) to Fund Based (Cash Credit) & Interchangeability of ₹ 50.00 million from Fund Based (Cash Credit) to Non Fund Based (Bank Guarantee)

[^] Company has availed short term working capital facility from HDFC Bank



(b) Future working capital

On the basis of the existing working capital requirements and the projected working capital requirements, the Company's Board, pursuant to their resolution dated 12th March, 2024, has approved the expected working capital requirements for Fiscal 2024, Fiscal 2025 and Fiscal 2026 and the proposed funding of such working capital requirements are stated below:

(in ₹ million)

Particulars	Amount as of March 31, 2024 (Estimated)	Amount as of March 31, 2025 (Estimated)	Amount as of March 31, 2026 (Estimated)
Current Assets			
(a) Inventories	940.43	1,539.70	2,296.59
(b) Financial Assets			
i. Trade Receivables	1,410.64	2,309.55	3,444.88
ii. Bank Balance apart from Cash and Cash Equivalents	195.85	1,051.91	1,613.37
iii. Loans and Advances	11.76	19.25	28.71
iv. Other Financial Assets	141.06	230.95	344.49
(c) Other Current Assets	330.37	542.66	800.27
Total Current Assets (A)	3,030.11	5,694.02	8,528.31
Current liabilities			
(a) Financial Liabilities			
i. Trade Payables	411.44	673.62	1,004.76
ii. Lease Liabilities	23.51	38.49	57.41
iii. Other Financial Liabilities	70.08	112.44	165.62
(b) Other Current Liabilities	687.04	400.72	613.63
(c) Provisions	58.78	96.23	143.54
(d) Current Tax Liabilities (Net)	16.37	20.48	30.86
Total Current Liabilities (B)	1,267.22	1,341.98	2,015.82
Working Capital (C=A-B)	1,762.89	4,352.04	6,512.49
Means of finance			
Cash Credit / Working Capital Borrowings	300.00	300.00	300.00
Internal Accrual	1,462.89	2,385.11	3,585.59
Working Capital Gap	0.00	1,666.93	2,626.90
Amount proposed to be utilised from Net Proceeds	0.00	1,666.93	959.97

(c) Holding levels and key assumptions for working capital requirements

The following table sets forth the details of the holding period (with days rounded to the nearest whole number) considered for Fiscal 2021, Fiscal 2022 and Fiscal 2023, on the basis of audited



standalone financial statements, as well as estimated for Fiscal 2024, Fiscal 2025 and Fiscal 2026.

Particulars	No. of days					
	For the Fiscal ended March 31, 2021	For the Fiscal ended March 31, 2022	For the Fiscal ended March 31, 2023	For the Fiscal ended March 31, 2024	For the Fiscal ended March 31, 2025	For the Fiscal ended March 31, 2026
	(Actual)	(Actual)	(Actual)	(Estimated)	(Estimated)	(Estimated)
Current Assets						
(a) Inventories	16	79	74	80	80	80
(b) Financial Assets						
i. Trade Receivables	162	139	103	120	120	120
ii. Bank balance apart from Cash and Cash Equivalents	58	4	28	17	55	56
iii. Loans and advances	1	0	1	1	1	1
iv. Others Financial Assets	31	6	11	12	12	12
(c) Other Current Assets	73	31	44	28	28	28
Total Current Assets	341	259	261	258	296	297
Current Liabilities						
(a) Financial Liabilities						
i. Trade Payables	75	57	37	35	35	35
ii. Lease Liabilities	3	2	2	2	2	2
iii. Other Financial Liabilities	29	23	14	6	6	6
(b) Other Current Liabilities	84	136	76	58	21	21
(c) Provisions	26	5	6	5	5	5
(d) Current Tax Liabilities (Net)	7	4	6	1	1	1
Total Current Liabilities	224	227	141	107	70	70

(d) *Assumptions for holding period levels*

The working capital projections made by the Company are based on certain key assumptions, as set out below:

Particulars	Assumptions
Current Assets	
Inventories	The holding levels of inventories for Fiscals 2021, 2022 and 2023 was 16 days, 79 days and 74 days, of revenue from operations, respectively. Inventories include raw material



Particulars	Assumptions
	<p>inventory and work in progress goods inventory.</p> <p>The holding levels of inventories of raw material Fiscals 2021, 2022 and 2023 was 16 days, 79 days and 40 days of revenue from operations, respectively, whereas inventory for work in progress goods was 34 days in Fiscal 2023. The Company expect raw material inventory to the tune of 45 days of revenue from operations and work in progress goods inventory to the tune of 35 days of revenue from operations, in order to support the growing business operations due to expected growth in the Order Book. The Company's Order Book had increased from ₹ 1,435.76 million as on March 31, 2021 to ₹ 8,682.70 million as on March 31, 2023 on the back of order wins of ₹ 6,284.95 million during Fiscal 2022 and ₹ 7,712.74 million during Fiscal 2023.</p>
Trade Receivable	<p>The holding period for trade receivables for Fiscals 2021, 2022 and 2023 was 162 days, 139 days and 103 days of revenue from operations, respectively. Receivable days were high for Fiscal 2021 and Fiscal 2022, on account of some large dispatches which happened in last quarter. Basis the expected business activity, the Company expect trade receivables to remain steady around 120 days of revenue from operations.</p>
Bank balances apart from cash and cash equivalents	<p>The working capital requirement of the Company arise from the need of keeping bank balances in the form of fixed deposits towards issuance of bank guarantee, either within sanctioned limits or beyond sanctioned limits. Deposits lien marked towards banks needs to be kept at the time of issuance of bank guarantees. This has been approximately 15% of the bank guarantees issued if it was within the sanctioned non fund based limits and 100% if it is beyond the sanctioned non fund based limits. As on December 31, 2023, the Company has utilised 86.55% of its non-fund based limits.</p> <p>Based on the current order book and expected order wins, the Company expect such deposits to increase to ₹ 195.85 million in Fiscal 2024, ₹ 1,051.91 million in Fiscal 2025 and ₹ 1,613.37 million in Fiscal 2026. Resultantly, this in terms of number of days of revenue from operations, are expected to be 17 days, 55 days and 56 days of revenue from operation for Fiscal 2024, Fiscal 2025 and Fiscal 2026, respectively.</p>
Loans & Advances	<p>Based on the expected business activity, Loan and advances would continue to remain around one day of revenue from operations.</p>



Particulars	Assumptions
Other Financial Assets	<p>Other financial assets include various security deposits, retention of money receivable from customers and unbilled revenue.</p> <p>The holding period of security deposits was 5 days of revenue from operations in Fiscal 2021, less than 1 day of revenue from operations in Fiscals 2022 and 2023. Based on the expected business activity, the Company expect this to remain at 1 day of revenue from operations for Fiscal 2024, Fiscal 2025 and Fiscal 2026.</p> <p>The holding period for retention money receivable from customer was 26 days, 7 days, and 8 days of revenue from operations in Fiscals 2021, 2022 and 2023 respectively. Based on the current Order Book, the Company expect this to remain at 10 days of revenue from operations for Fiscal 2024, Fiscal 2025 and Fiscal 2026.</p> <p>The holding period for unbilled revenue was 2 days in Fiscal 2023, and based on the current Order Book, the same is expected to remain around 1 day of revenue from operations for Fiscal 2024, Fiscal 2025 and Fiscal 2026.</p> <p>Accordingly, based on expected business activity, the holding period for other financial assets is expected to be 12 days of revenue from operations for Fiscal 2024, Fiscal 2025 and Fiscal 2026.</p>
Other Current Assets	<p>The holding period for other current assets include, advance to vendors, prepaid expenses, and GST input credit.</p> <p>This was 73 days, 31 days, and 44 days of revenue from operations in Fiscals 2021, 2022 and 2023 respectively. Based on expected business activity, the Company expect this to remain at 28 days of revenue from operations for Fiscal 2024, Fiscal 2025 and Fiscal 2026.</p>
Current Liabilities	
Trade Payables	<p>The business operations during Fiscals 2021 and 2022 were impacted by Covid-19. Hence the holding period for trade payable for Fiscals 2021 and 2022 was high and was 75 days and 57 days of revenue from operations, respectively. This decreased to 37 days in Fiscal 2023. This is expected to continue around 35 days of revenue from operations in Fiscal 2024, Fiscal 2025 and Fiscal 2026.</p>



Particulars	Assumptions
Lease Liabilities	The holding period of lease liabilities for Fiscals 2021, 2022 and 2023 was 3 days, 2 days and 2 days, respectively. Based on expected business activity, the Company don't see any major change and this is expected to continue around 2 days of revenue from operations in Fiscal 2024, Fiscal 2025 and Fiscal 2026.
Other Financial liabilities	<p>The holding period for other financial liabilities include retention money payable to vendors, due to employees and directors. It was 29 days, 23 days and 14 days of revenue from operations for Fiscals 2021, 2022 and 2023, respectively.</p> <p>Based on the expected business activity, the Company expect other financial liabilities would remain around 6 days of revenue from operations in Fiscal 2024, Fiscal 2025 and Fiscal 2026.</p>
Other Current Liabilities	<p>The holding period for other current liabilities include statutory dues, other current liabilities and advance received from customers.</p> <p>The holding period for advance received from customers was 56 days, 126 days and 60 days of revenue from operations in Fiscals 2021, 2022 and 2023, respectively. These advance from customers are typically received upon issuance of advance bank guarantees. As the Company utilizes its non- fund based banking limits, the Company would not be able to issue additional advance bank guarantees. Therefore advance received from customers is assumed to decrease from 52 days in Fiscal 2024 and remain 15 days of revenue from operations in Fiscal 2025 and Fiscal 2026. Also, further the Company have assumed statutory dues to remain 6 days of revenue from operations. Hence, holding period for other current liabilities would be 58 days for Fiscal 2024 and 21 days for both Fiscal 2025 and Fiscal 2026, respectively.</p>
Provisions	The holding period for provisions for Fiscals 2021, 2022 and 2023, was 26 days, 5 days and 6 days of revenue from operations, respectively. Based on the expected business activity, this is expected to continue around 5 days of revenue from operations in Fiscal 2024, Fiscal 2025 and Fiscal 2026.
Current Tax Liabilities (Net)	The holding period for current tax liabilities for Fiscal 2021, 2022 and 2023 was 7 days, 4 days and 6 days of revenue from operations, respectively. These liabilities arise upon reconciliation of tax deducted at source, advance tax and self-



Particulars	Assumptions
	assessed tax. The Company does not see any major change and based on expected business activity, the same is expected to be around one day of revenue from operations for Fiscal 2024, Fiscal 2025 and Fiscal 2026.

We have conducted our examination in accordance with the applicable guidance note issued by the ICAI which requires that we comply with ethical requirements of the Code of Ethics issued by the ICAI and accordingly, we confirm that we have complied with such Code of Ethics issued by the ICAI. We have also reviewed and verified the estimations of working capital requirements of the Company for Fiscal 2024, Fiscal 2025 and Fiscal 2026, including key assumptions which the Company has used.

We confirm that the information in this certificate is true, complete and correct and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

This certificate may be relied upon by the Company, the Book Running Lead Managers and the legal counsels appointed by the Company and the Book Running Lead Managers in relation to the Offer. We hereby consent to extracts of, or reference to, this certificate being used in the Offer Documents. We also consent to the submission of this certificate as may be necessary to any regulatory authority and/or for the records to be maintained by the Book Running Lead Managers in connection with the Offer and in accordance with applicable law. We also consent to the inclusion of this certificate as part of 'Material Contracts and Documents for Inspection' in the Offer Documents.

We confirm that on receipt of any communication from Company of any changes in the information, we will immediately communicate any changes in writing in the above information to the Book Running Lead Managers until the date when the Equity Shares allotted and transferred in the Offer commence trading on the relevant stock exchanges. In the absence of any such communication from us, Book Running Lead Managers and the legal advisors, each to the Company and the Book Running Lead Managers, can assume that there is no change to the above information.

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

Yours faithfully

For CVK & Associates

Chartered Accountants

ICAI Firm Registration Number: 101745W

KISHOR Digitally signed by
PURUSHOTTA KISHOR PURUSHOTTA
M CHAUDHARI CHAUDHARI
Date: 2024.04.15
16:18:14 +05'30'

CA K. P. Chaudhari

Partner

Membership No.: 031661



Place: Mumbai

UDIN: 24031661BKDGDZ3687

CC:

Legal Counsel to the Company as to Indian Law Shardul Amarchand Mangaldas Amarchand Towers 216 Okhla Industrial Estate Phase III New Delhi – 100 020	Legal Counsel to the Book Running Lead Managers as to Indian Law Trilegal One World Centre, 10 th Floor, Tower 2A & 2B, Senapati Bapat Marg, Lower Parel, Mumbai 400 013 Maharashtra, India
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