



**ACG & Co.**

Chartered Accountants

Reg. Off.: Court Road, Jaspur Khurd, Nr. Naman Sweets,  
Kashipur, Uttarakhand-244 713

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## CERTIFICATE ON OBJECTS: WORKING CAPITAL REQUIREMENTS

Date: 20/05/2026

To,  
The Board of Directors,  
**Vahh Chemicals Limited**  
Plot 2/5198 ETC,5th Floor,5003, World Trade Centre,  
Near Udhna Darawaja, Ring Road, Surat, Gujarat-395002

**Marwadi Chandarana Intermediaries Brokers Private Limited**  
X-Change Plaza, Office No. 1201 to 1205, 12<sup>th</sup> Floor, Building No. 53E,  
Zone-5, Road 5E, Gift City, Gandhinagar-382355, Gujarat, India

(Marwadi Chandrana Intermediaries Brokers Private Limited is referred to as the “Lead Manager” or the “LM”)

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

Dear Sir(s)/Madam(s),

We, **ACG & Co.**, Chartered Accountants, have been requested by the Company to verify and certify the existing working capital and funding requirements of the Company. We have examined the audited financial information as at and for financial years ended March 31, 2026, March 31, 2025 and March 31, 2024, prepared in accordance with the Companies Act, 2013, read with the rules made thereunder, each as amended (the “Companies Act”), and the applicable accounting standards. We have also reviewed the business estimations for the financial year March 31, 2027 and other relevant records of the Company as submitted to us. Based on our examination, as we considered necessary and according to the information and explanations given to us, we hereby certify that as on the date of this certificate the working capital of the Company for the financial years ended March 31, 2026, March 31, 2025 and March 31, 2024 on the basis of the Audited Standalone Financial Statements, the estimated working capital requirements for the fiscal year ended March 31, 2027 on a standalone basis, and the holding levels (on a standalone basis) are set out at **Annexure A** and are true, fair and accurate.

In this regard, we have also obtained and verified the following documents:

1. The minutes of meetings of the board of director, committee, shareholders meeting minutes financial years ended March 31, 2026, March 31, 2025 and March 31, 2024 to furnish this certificate and inquired with the directors/key managerial person of the Company.
2. The working for the existing working capital requirements prepared by the Company as at and for the financial years ended March 31, 2026, March 31, 2025 and March 31, 2024 based on the Audited Standalone Financial Statements.
3. The board resolution dated May 20, 2026 approving the business plan and financial projections of the Company for the financial year ended March 31, 2027 including the key estimates which the Company has used for calculating the holding period (in days) and have found them to be accurate and complete in all respects.

As on March 31, 2026, the Company has total sanctioned limit of working capital facilities of ₹ 490.00 Lakhs and outstanding working capital facilities aggregating to ₹562.72 Lakhs (on standalone basis) from financial institution.

Further, on the basis of Company’s existing working capital requirements and the projected working capital requirements, board resolution dated 20/05/2026 approving the business plan and financial projections of the Company for the financial year ended 31, 2027, we confirm the projected working capital requirements for the respective periods and the proposed funding patterns for those years along with the assumptions underlying the justifications for periods of holding levels as set out at **Annexure B**.



The Company proposes to utilise ₹ 583.78 Lakhs from the Net Proceeds to fund the working capital requirements of the Company in Fiscal 2027.

We confirm that the information above is true, fair, correct, accurate, not misleading and without omission of any matter that is likely to mislead, and adequate to enable investors to make a well-informed decision.

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 preliminary placement document and placement document and any other material used in connection with the Offer (together, the “**Offer Documents**”) which may be filed by the Company with Securities and Exchange Board of India (“**SEBI**”), and BSE Limited (the “**Stock Exchange**”).

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 LMs in connection with the Offer and in accordance with applicable law.

This certificate may be relied on by the LMs, their affiliates and legal counsels in relation to the Offer and to assist the LMs in conducting and documenting their investigation of the affairs of the Company in connection with the Offer. We hereby consent to this certificate being disclosed by the LMs, 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 defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We undertake to immediately communicate, in writing, any changes to the above information/confirmations to the LMs and the Company until the equity shares allotted in the Offer commence trading on the relevant stock exchanges. In the absence of any such communication from us, the Company, the LMs and the legal advisors appointed with respect to Offer can assume that there is no change to the information/confirmations forming part of this certificate and accordingly, such information should be considered to be true and correct.

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

**Encl: As above**

CC:

**For ACG & Co.,  
Chartered Accountants  
Firm Registration Number: 028477N**



**CA Deepanshu Agarwal  
(Partner)  
Membership Number: 541237  
UDIN: 26541237YOXIWU1822  
Date: 20/05/2026**

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**ANNEXURE A***Basis of estimation of working capital requirement and estimated working capital requirements*

The details of Company's working capital requirement for Fiscal 2024, Fiscal 2025 and Fiscal 2026 derived from the standalone financial statements, and the sources of funding of the same are as set out in the table below:

(₹. In Lakhs)

Particulars	Fiscal 2024 (Audited)	Fiscal 2025 (Audited)	Fiscal 2026 (Audited)
<b>Current Assets</b>			
(a) Inventories	260.15	930.27	1,628.83
(b) Trade receivables	380.59	1,151.46	743.97
(c) Short-term loans and advances	0.10	121.65	82.09
(d) Other Current Assets	85.99	46.34	380.66
<b>Total Current Assets (A)</b>	<b>726.83</b>	<b>2,249.72</b>	<b>2,835.55</b>
<b>Current Liabilities</b>			
(a) Trade payables	55.23	946.29	465.77
(b) Other current liabilities	10.28	23.46	24.15
(c) Short term provision	15.31	112.14	145.71
<b>Total Current Liabilities (B)</b>	<b>80.82</b>	<b>1081.89</b>	<b>635.64</b>
<b>Net Working Capital (A-B)</b>	<b>646.01</b>	<b>1,167.83</b>	<b>2199.91</b>
<b>Sources of Funds</b>			
Borrowings	609.43	818.76	952.17
Internal Accruals / Equity	36.58	349.07	1,247.74
<b>Total</b>	<b>646.01</b>	<b>1,167.83</b>	<b>2199.91</b>

The proposed working capital requirement commensurate with the Company's current scale of operations, strategic procurement initiatives and expected growth in revenues.

(₹. In Lakhs)

Particulars	Fiscal 2027 (Estimated)
<b>Current Assets</b>	
Trade receivables	1,345.35
Inventories	2,248.89
Short-term loans and advances	50.43
Other Current Assets	316.01
<b>Total Current Assets (A)</b>	<b>3,969.69</b>
<b>Current Liabilities</b>	
(a) Trade payables	680.64
(b) Short term provision	189.42
(c) Other current liabilities	31.40
<b>Total Current Liabilities (B)</b>	<b>904.16</b>
<b>Net Working Capital (A-B)</b>	<b>3,068.23</b>
<b>Sources of Funds</b>	
Borrowings	681.75
Internal Accruals	1,802.70
IPO Proceeds	583.78
<b>Total</b>	<b>3068.23</b>

**ANNEXURE B****Holding Period (Number of Days)**



The table below contains the details of holding period (in number of days) for Financial Year 2024, 2025 & 2026 and the estimated holding period (in days) for the Fiscal 2027 and the assumptions based on which the working plan projections have been made and approved by the Board of Directors of the Company:

(in days)

S. No.	Particulars	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027
		(Actual)	(Actual)	(Actual)	(Estimated)
<b>I.</b>	<b>Current Assets</b>				
	Inventories	118	235	249	241
	Trade Receivables	137	206	84	110
<b>II</b>	<b>Current Liabilities</b>				
	Trade Payables	20	163	55	62
<b>III</b>	<b>Working Capital Days</b>	235	278	278	289

### Key justification for holding levels

Key assumptions for working capital projections made by our Company:

Particulars	Justification
Inventories	<p>Inventories days are calculated as Inventories as on balance sheet date divided by cost of goods sold over 365 days for Fiscal 2024, 2025 and 2026</p> <p>We are engaged in the business of textile chemical and auxiliaries. Our operations require us to maintain a well-stocked inventory to address the demands of our customer and to ensure seamless business continuity. For the fiscal years ended FY 2024, FY 2025 and FY 2026, our inventory turnover days were 118, 235 and 249, respectively.</p> <p>Our business needs to keep a variety of dyeing chemicals and textile auxiliaries in stock because different customers require different products. During busy seasons, especially around festival and export periods demand increases sharply. To prevent shortages and ensure smooth supply to our customers, we maintain adequate inventory.</p> <p>We estimate our inventory turnover days to reduce to 241 for the fiscal year ending FY 2027. This projected decrease aligns with our strategic initiatives to optimize inventory management. As the company plans to expand into backward integration such as increasing in-house processing or raw material production it becomes even more crucial to streamline inventory management. Effective control over stock levels will help ensure smoother coordination between upstream and downstream activities, prevent accumulation of excess materials, and maintain a steady flow of inputs for production.</p> <p>To further optimize inventory, the company collaborates closely with suppliers and future backward-integration partners to negotiate shorter lead times, flexible deliveries, and improved planning. This reduces dependence on large safety stocks and enhances operational agility. While the nature of our business necessitates holding a certain level of inventory, these initiatives ensure that we strike a balance between operational needs and financial efficiency. The projected working capital requirements account for these factors and are critical for the uninterrupted growth and smooth functioning of our operations.</p>
Trade Receivables	<p>Trade receivables days are calculated as Trade receivables as on balance sheet date divided by revenue from operations over 365 days for Fiscal 2024, 2025 and 2026.</p> <p>Trade receivables constitute a significant component of our working capital requirements, given the nature of our business and our established relationships</p>



Particulars	Justification
	<p>with customers. Effective management of trade receivables is critical to maintaining liquidity while supporting business growth.</p> <p>For the fiscal years ended FY 2024, FY 2025 and FY 2026, our trade receivable days were 137, 206 and 84, respectively. We project this to increase further to 110 days for the fiscal year ending FY 2027, respectively. This projected improvement is based on our strategic initiatives to optimize receivable management while aligning with anticipated growth in revenue. Our analysis considers historical trends, market dynamics, and the credit practices adopted by our peers within the industry.</p> <p>Basis for projected Receivable days:</p> <ul style="list-style-type: none"> <li>• <b>Customer and industry credit practices:</b></li> </ul> <p>Certain customers operate on extended payment cycles customary to the industry in which the Company operates. Accordingly, receivable levels are expected to remain elevated in line with business growth.</p> <ul style="list-style-type: none"> <li>• <b>Stricter Credit Policies:</b></li> </ul> <p>The company revised its credit terms and implemented tighter credit evaluation processes for both new and existing customers. By limiting high-risk credit exposure, the company ensured faster realization of dues.</p> <ul style="list-style-type: none"> <li>• <b>Improved Collection Mechanisms:</b></li> </ul> <p>A more structured follow-up system was introduced, including regular reminders, dedicated collection personnel, and periodic reviews of outstanding receivables. This resulted in quicker customer responses and timely payment closures.</p> <p>Accordingly, while trade receivable days are expected to increase in Fiscal 2027, the Company believes that such increase remains manageable and consistent with the scale and nature of its operations and industry practices.</p>
Short term loans and advances	Short-term loans and advances comprise of short term loans, Advances given to staff, Advances paid to suppliers and Balance with the Govt Authorities. It has been maintained in line with the projected business activity for the Fiscal 2027.
Other Current Assets	Other Current Asset mainly consists of advances to supplier, TDS and GST Credit. The increase in advances to suppliers is primarily driven by the need to secure uninterrupted availability of key raw materials and chemicals, particularly during periods of high demand or supply constraints. By providing advances, the company can lock in prices, ensure priority allocation of materials, and negotiate more favourable commercial terms. Additionally, as procurement volumes rise with ongoing capacity expansion and backward integration plans, certain suppliers require advances to support their own production planning and working capital needs. This approach helps the company achieve better supply reliability, shorter lead times, and improved cost stability.
Trade Payables	<p>Trade payable days are calculated as Trade Payables as on balance sheet date divided by purchases over 365 days for Fiscal 2024, 2025 and 2026.</p> <p>Trade payables are a crucial component of our working capital cycle, enabling us to manage procurement efficiently while fostering strong supplier relationships. For the fiscal years ended 2024, 2025 and 2026, our trade payable days were 20, 163 and 55 respectively. We estimate this to increase to 62 days for the fiscal year ending FY 2027, respectively.</p> <p><b>Rationale for Increase in Trade Payables days:</b></p>

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Particulars	Justification
	<ul style="list-style-type: none"><li>• As the company moves into backward integration and increases purchase volumes, suppliers are offering better pricing and supply commitments in return for shorter credit periods. This results in a more efficient cost structure even with reduced payable days.</li><li>• <b>Improved supplier terms:</b> With higher purchase volumes and backward integration, key suppliers are offering better pricing and supply reliability in exchange for shorter credit periods.</li><li>• <b>Stronger cash flow position:</b> Reduced receivable days and optimized inventory levels allow the company to make payments earlier without impacting liquidity.</li><li>• <b>Strengthened supplier relationships:</b> Earlier payments improve trust and help secure priority supply during peak demand periods.</li></ul>
Other Current Liabilities	Other current liabilities majorly comprise of TDS, GST and payable to employees. The same is expected to be in similar line
Short term provision	Short term provision majorly comprises of provision for tax and Statutory dues. The same is expected to be in similar line