

**Partners:**

J. Vasanth Kumar, B.Com., F.C.A., L.L.B.,  
N. Amarnath, B.Com., F.C.A.,  
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**WORKING CAPITAL REQUIREMENT CERTIFICATE**

Date: December 23, 2025

To

**The Board of Directors**

**Avana Electrosystems Limited**  
No. 8, Plot No.35, 1st Main Road,  
2nd Phase Peenya Industrial Area, Nelagadarannahalli Village,  
Peenya Small Industries, Bangalore – 560058.

AND

**Indcap Advisors Private Limited**

Suite 1201, 12<sup>th</sup> Floor, Aurora Waterfront,  
GN Block, Sector V, Bidhannagar – 700 091,  
West Bengal, India.

*(Indcap Advisors Private Limited referred to as the “Book Running Lead Manager”)*

Dear Sir,

**Sub: Proposed initial public offering of equity shares of face value Rs. 10 each (“Equity Shares”) by Avana Electrosystems Limited (“Company”) (referred to as the “Offer”).**

At the request of the Company, we have traced the working capital requirement figures proposed to disclosed as part of the objects of the Offer from the Restated financial statements for the half year ended September 30, 2025 and year(s) ended March 31, 2025, 2024 and 2023 and CMA data prepared by the management. We have not independently verified the CMA data and do not comment upon the accuracy or otherwise of the same.

We have solely relied on the Company’s representation that the working capital requirement disclosed represents working capital required by the Company for the year 2025 is at the same level as per the CMA estimates.

We have traced the following financial information to be included in the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus as one of the objects of the Offer:

The Company’s working capital requirements for the half year ended September 30, 2025 and for the years ended March 31, 2025, 2024 and 2023 and funding of the same are as set out in the table below:

| (₹ In lakhs) |   |                 |                 |                 |                 |
|--------------|---|-----------------|-----------------|-----------------|-----------------|
| S No         | Particulars                             | 30-Sep-2025     | 31-Mar-25       | 31-Mar-24       | 31-Mar-23       |
| <b>I</b>     | <b>Current Assets</b>                   |                 |                 |                 |                 |
|              | Trade Receivables                       | 1820.77         | 2,119.08        | 1,483.64        | 1,115.56        |
|              | Inventories                             | 2105.61         | 1,470.95        | 1,193.31        | 770.29          |
|              | Short-Term Loan & Advances              | 393.00          | 358.15          | 246.17          | 360.08          |
|              | Other current Assets                    | 81.41           | 96.35           | 57.17           | 40.53           |
|              | <b>Total (I)</b>                        | <b>4400.80</b>  | <b>4,044.53</b> | <b>2,980.29</b> | <b>2,286.45</b> |
| <b>II</b>    | <b>Current Liabilities</b>              |                 |                 |                 |                 |
|              | Trade Payables                          | 663.48          | 927.17          | 676.29          | 575.65          |
|              | Other current liabilities               | 503.89          | 463.50          | 317.71          | 334.13          |
|              | Short-term provisions                   | 914.70          | 802.93          | 553.21          | 280.16          |
|              | <b>Total (II)</b>                       | <b>2,082.07</b> | <b>2,193.60</b> | <b>1,547.21</b> | <b>1,189.94</b> |
| <b>III</b>   | <b>Total Working Capital Gap (I-II)</b> | <b>2,318.73</b> | <b>1,850.92</b> | <b>1,433.09</b> | <b>1,096.51</b> |
| <b>IV</b>    | <b>Funding Pattern</b>                  |                 |                 |                 |                 |
|              | IPO Proceeds                            |                 |                 |                 |                 |

|  |                       |         |          |        |        |
|--|-----------------------|---------|----------|--------|--------|
|  | Short term borrowings | 374.52  | 279.36   | 433.27 | 385.45 |
|  | Internal Accrual      | 1944.21 | 1,571.56 | 999.82 | 711.06 |

The details of the Company's projected working capital requirements for the year 2026-2027 and funding of the same are as set out in the table below:

#### **Future working capital requirement**

Based on the management estimates and projected business plan as provided by the management of the Company. The proposed working capital requirement of the company are as set out below:

|            |   | (₹ in lakhs)             |                          |
|------------|---|--------------------------|--------------------------|
| S. No      | Particulars                             | 31-Mar-26<br>(Estimated) | 31-Mar-27<br>(Estimated) |
| <b>I</b>   | <b>Current Assets</b>                   |                          |                          |
|            | Trade Receivables                       | 2,720.65                 | 3,340.70                 |
|            | Inventories                             | 1,646.94                 | 2,027.17                 |
|            | Short-Term Loan & Advances              | 395.38                   | 456.50                   |
|            | Other current Assets                    | 75.96                    | 91.15                    |
|            | <b>Total (I)</b>                        | <b>4,838.94</b>          | <b>5,915.52</b>          |
| <b>II</b>  | <b>Current Liabilities</b>              |                          |                          |
|            | Trade Payables                          | 866.76                   | 1,074.96                 |
|            | Other current liabilities               | 354.48                   | 403.51                   |
|            | Short-term provisions                   | 857.30                   | 911.59                   |
|            | <b>Total (II)</b>                       | <b>2,078.54</b>          | <b>2,390.05</b>          |
| <b>III</b> | <b>Total Working Capital Gap (I-II)</b> | <b>2,760.39</b>          | <b>3,525.47</b>          |
|            | <b>Incremental Working Capital Gap</b>  | <b>909.47</b>            | <b>765.08</b>            |
| <b>IV</b>  | Funding Pattern                         |                          |                          |
|            | From IPO Proceeds                       | 860.00                   | -                        |
|            | Internal accrual and external sources   | 49.47                    | 765.08                   |

*The proceeds of the Offer will not be used by the Company to fund the incremental Earnest Money Deposit (EMD). The incremental EMD requirement in future will be funded from the internal accruals of the Company.*

#### Key assumptions for working capital requirements of Company:

| Particulars                      | 31-Mar-27  | 31-Mar-26  | 30-Sep-25  | 31-Mar-25  | 31-Mar-24  | 31-Mar-23  | (No. of days) |
|----------------------------------|------------|------------|------------|------------|------------|------------|---------------|
| Inventories                      | 149        | 150        | 199        | 167        | 134        | 173        |               |
| Trade Receivables                | 134        | 131        | 93         | 126        | 102        | 143        |               |
| Trade Payables                   | 78         | 76         | 47         | 97         | 67         | 113        |               |
| <b>Net Working Capital cycle</b> | <b>205</b> | <b>205</b> | <b>245</b> | <b>196</b> | <b>169</b> | <b>203</b> |               |

#### Justification for holding levels

| Particulars | Justification  |
|-------------|--|
| Inventory   | <p>Inventory days have been calculated as inventory as on balance sheet date divided by cost of goods sold over 365 days. For Six months period ended September 30, 2025, 182 days are considered.</p> <p>Our Company's inventory primarily consists of raw materials, semi-finished goods and finished goods. Our Company had maintained overall inventory holding period of 173 days in Fiscal 2023, 134 days in Fiscal 2024 and 167 days in Fiscal 2025 for maintaining required level of inventory to execute the customer orders.</p> <p>Inventory days for Fiscal 2026 and 2027 are anticipated to be 150 days and 149 days respectively. The projections for the holding levels are based on our projected increase in revenue from operations.</p> |

|                               |  |
|-------------------------------|--|
|                               | <p><i>Rationale for Inventory Management- Panels:</i></p> <p>a. Lead Time – Our major raw material includes MS Steel enclosures, numerical relays, meters, cables, and MCB (Miniature Circuit Braker). The lead time for the above ranges, on an average of 30-40 days. Hence the company needs to maintain readily available raw material inventory level in order to cater to existing and projected customer orders.</p> <p>b. Conversion Time – The average conversion time from raw material to WIP is 15-20 days after approval of drawing of the panel from the customer and another 7 days on an average for testing and customer inspection. In case, if any rework is required based on customer inspection, it takes another 2-3 days to rectify the same. Post that, based on dispatch instruction from customer, receipt of payment before dispatch if any and final dispatch takes another 4-5 days.</p> <p><i>Rationale for Inventory Management- Relays:</i></p> <p>a. Lead Time – Our major raw material includes Integrated Chips, Mechanical Enclosures, PCB (Printed Circuit Boards), Displays and other electronic components. The lead time for the above ranges, on an average of 30 days. Hence the company needs to maintain readily available raw material inventory level in order to cater to existing and projected customer orders.</p> <p>b. Conversion Time – The average conversion time from raw material to dispatch is 20 days on an average.</p> <p>c. Completion Time - The timeline for completion of an order for panels is approximately 6 weeks and that of relays is approximately 4 weeks.</p> <p>As on August 31, 2025 the company has confirmed work orders from both the units amounting to ₹ 4,386.78 Lakhs. Hence, in order to cater to this confirmed order and further projected orders for the rest of the year, the company needs to maintain adequate inventory of raw materials as mentioned above. This approach allows us to proactively align inventory with market demand, reduce lead times, and minimize stockouts or overstock situations.</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 Six months period ended September 30, 2025, 182 days are considered.</p> <p>Our holding level of trade receivables were 143 days, 102 days and 126 days in Fiscal 2023, Fiscal 2024 and Fiscal 2025 respectively.</p> <p><i>Rationale for Trade Receivables</i></p> <p>1. The average receivables days based on the customer orders varies from 90 to 120 days with 5-15% of upfront advance and 5-10% retention thereof. As on 31<sup>st</sup> March 2025, the total retention which is part of the above debtors amounting to ₹ 2,119.08 Lakhs is ₹ 119.15 Lakhs. With projected increased sales, this amount is expected to increase accordingly thereby blocking the working capital.</p> <p>2. Existing and Increasing Orders in hand – As on 31<sup>st</sup> August, 2025 the company has confirmed work orders amounting to ₹ 4,386.78 Lakhs. Hence, in order to cater to this confirmed order and further projected orders for the rest of the year, the average receivables days are expected to rise accordingly.</p> <p>We have anticipated trade receivable days as 131 days and 134 days in Fiscal 2026 and Fiscal 2027 respectively vis-à-vis trade receivable days of 143 days, 102 days and 126 days in Fiscal 2023, Fiscal 2024 and Fiscal 2025 respectively which is more or less similar to the historical data.</p>   |
| Short-Term Loans and Advances | <p>Due to increased operational activity, EMD and GST input will increase resulting in increased working capital requirement. EMD stands for Earnest Money Deposit. Our company is required to keep an EMD depending on the tender requirements. In some cases, it is exempted. The exact margin cannot be specified as it varies case to case.</p>  |
| Other Currents Assets         | <p>Other current assets mainly comprise of prepaid expenses. The same is expected to be in similar lines as of the historical period.</p>  |

|                           |   |
|---------------------------|---|
| Trade Payables            | <p>Trade payable days are calculated as trade payable as on balance sheet date divided by total purchases over 365 days. For Six months period ended September 30, 2025, 182 days are considered.</p> <p>Holding levels for trade payables for Fiscal 2023, 2024 and 2025 were 113 days, 67 days and 97 days, respectively. Our accounts payables have remained stable over the years, reflecting the efficiency in our operations and the strengthening of our relationships with suppliers. These credit terms have provided flexibility in managing our working capital and funding the company's growth more efficiently.</p> <p><i>Rationale for Trade Payable days:</i></p> <p>Accordingly, considering construction of a new manufacturing unit, we have anticipated average trade payable days as 76 days in Fiscal 2026 and 78 days in Fiscal 2027 respectively. This will help us to get better rates, uninterrupted and timely supply and thereby help the company in earning better margin.</p> |
| Other Current Liabilities | Other current liabilities majorly comprise of advances from customers, statutory dues payable, outstanding liabilities and other payables. The same is in line with the projected increase in the business operations.  |
| Short-Term Provisions     | Provisions primarily comprising of provision for employee benefits, provision for warranty and provision for tax. The same is in line with the projected increase in the business operations.   |

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

1. Traced Company's working capital requirements as at September 30, 2025 and March 31, 2025, 2024 and 2023 and funding of the same from the audited final statements.
2. Relied solely on management estimates of the future working capital requirements.
3. Relied solely upon the CMA data prepared by the Company. We have not independently verified figures and amount stated in the CMA.

This letter is being delivered to the addressees in connection with the Draft Red Herring Prospectus/ Red Herring Prospectus/Prospectus of Avana Electrosystems Limited (the "Company") in relation to the initial offering of equity shares of the Company in a public offering in India.

Yours sincerely,

**For Vasanth & Co.,**  
**Chartered Accountants**  
ICAI Firm Registration No.: 008204S

**N.Amarnath**  
**Partner**  
Membership No:510064  
Place: Bangalore  
Date: 23-12-2025  
UDIN: 25510064CBQACR8548