

Certificate on Details on Working Capital Requirement

To,
The Board of Directors,
Modern Diagnostic & Research Centre Limited
Plot No H-64, 1st Floor BLK-H, Bali Nagar City
Landmark Near Khetar Pal Hospital, Ramesh
Nagar, West Delhi, New Delhi, Delhi, India,
110015

To,
Beeline Capital Advisors Private Limited,
B/1311-1314, Shilp Corporate Park, Near Rajpath
Club, Rajpath Rangoli Road, Sarkhej -
Gandhinagar Hwy, Ahmedabad, Gujarat 380054

(Beeline Capital Advisors Private Limited Referred to as the "Book Running Lead Manager")

Dear Sir(s)/ Madam(s),

Reference: Proposed Public Offering of Equity Shares by Modern Diagnostic & Research Centre Limited (The "Company") and the offering ("Issue").

We, M/s SVJK and Associates, Chartered Accountants, the Peer Review auditors of the Company have been informed by the Company that it proposes to undertake the proposed Issue 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 the Companies Act, 2013, as amended ("Companies Act"). We have reviewed the Restated Standalone and Consolidated Financial Statements as of the period ended September 30, 2024 and for the financial year ended March 31, 2024, 2023, 2022 which was audited in accordance with the Companies Act, 2013, as amended and the rules framed thereunder, the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India and restated in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

Management's Responsibility for the Statement

1. The preparation of the accompanying Statement is the responsibility of the Management of the Company. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
2. The Management is also responsible for preparing:
 - a. Projected Financials for FY 2024-25, FY 2025-26 and FY 2026-27; and
 - b. Compliance with the requirements of the ICDR Regulations.

Auditor's Responsibility

1. Pursuant to the requirements of Clause (9)(F)(1) of Part A of Schedule VI of the ICDR Regulations, it is our responsibility to obtain limited assurance and conclude as to whether the details provided in the Statement is in agreement with the audited books of accounts and other records for the financial statements for the period ended September 30, 2024 and the financial years ended March 31, 2023 & 2022 and liability incurred post-date of latest audited financial statement.



2. We have conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
3. They have complied with the relevant applicable requirements of 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.
4. We have complied with the guidelines provided under SAE 3400 (The Examination of Prospective Financial Information) to examine and report on prospective financial information including examination procedures for best-estimate and hypothetical assumptions.
5. A limited assurance engagement includes performing procedures to obtain sufficient appropriate evidence that vary in nature, timing and extent than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we have performed the following procedures in relation to the Statement:
 - a. We have examined the books of accounts as well as the Restated Standalone Financial Statements of the company for the period ended September 30, 2024 and financial years ended March 31, 2022, 2023 and 2024 prepared in accordance with Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended (the "Companies Act"), and the accounting standard issued by The Institute Of Chartered Accountants Of India ("AS") and the guidance note on reports or certificates for special purposes issued by the institute of chartered accountants of India and restated in accordance with the Securities And Exchange Board Of India (Issue Of Capital And Disclosure Requirements) regulations, 2018, as amended (the "Restated Financial Information").
 - b. We have reviewed and confirmed the details on working capital requirement, which will form part of the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus ("Offer Documents") of the company to be filed with Registrar of Companies, Securities and Exchange Board of India, Stock Exchange, in relation to the public issue.
 - c. Conducted relevant management inquiries and obtained necessary representation.
6. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Conclusion

Based on our examination as above, and the information and explanations given to us, nothing has come to our attention that causes us to believe that the details provided in the Statement are not in agreement with the audited books of accounts and other records for the period ended September 30, 2024 and financial years ended March 31, 2024, 2023 and 2022.

Restriction on Use

This certificate may be relied upon by the Book Running Lead Manager and Legal Counsel appointed in relation to the Issue. This certificate is for information and for inclusion in the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus to be issued by the company in relation to the Issue. We hereby consent to the aforementioned details being included in the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus and 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 Manager in connection with the issue and in accordance with applicable law.

For M/s. SVJK and Associates
Chartered Accountants

FRN: 135182W



CA Ankit Singh
Partner

Membership No. 15132

UDIN: 25151324BMOBYJ4333

Date: 31st March, 2025

Place: Ahmedabad



ANNEXURE A

(₹ in Lakhs)

S. No.	Particulars	Actual (Restated)	Actual (Restated)	Actual (Restated)	Actual (Restated)
		31-March-22	31-March-23	31-March-24	30-Sept-24
I	Current Assets				
	Inventories	151.04	194.87	297.06	407.55
	Trade receivables	900.08	806.10	1,035.21	1,191.03
	Cash and Bank Balance	463.78	15.38	41.23	91.00
	Loans and Advances	256.17	179.17	393.74	517.19
	Other current Assets	17.61	30.52	38.16	54.79
	Total Current Assets (A)	1,788.68	1,226.04	1,805.40	2,261.56
II	Current Liabilities				
	Trade payables	1,004.88	820.02	856.34	844.26
	Other Current Liabilities	288.16	337.04	432.23	583.10
	Short-term provisions	41.13	11.37	82.65	220.78
	Total Current Liabilities (B)	1,334.17	1,168.43	1,371.22	1,648.14
III	Total Working Capital Gap (A-B)	454.51	57.62	434.18	613.42
IV	Funding Pattern				
	Short-term borrowing & Internal Accruals	454.51	57.62	434.18	613.42

Basis of estimation of working capital requirement and estimated working capital requirement:

S. No.	Particulars	Provisional	Projected	Projected
		31-March-25	31-March-26	31-March-27
I	Current Assets			
	Inventories	400.00	600.00	800.00
	Trade receivables	1,179.77	1,534.75	2,200.38



	Cash and Bank Balance	74.08	115.01	154.86
	Loans and Advances	577.19	677.19	777.19
	Other current Assets	54.79	54.79	54.79
	Total Current Assets (A)	2,285.83	2,981.73	3,987.22
II	Current Liabilities			
	Trade payables	746.77	833.02	839.89
	Other Current Liabilities	200.00	268.10	251.44
	Short-term provisions	301.27	293.94	445.84
	Total Current Liabilities (B)	1,248.04	1,395.06	1,537.16
III	Total Working Capital Gap (A-B)	1,037.80	1,586.67	2,450.05
IV	Funding Pattern			
	Short-term borrowing & Internal Accruals	1,037.80	1,086.67	1790.54
	IPO Proceeds	--	500.00	659.51

Holding Levels

The following table sets forth the details of the holding period levels (in days) considered ⁽¹⁾:

Particulars	Holding level (in Months/Days)						
	Restated				Projected		
	31-Mar-22	31-Mar-23	31-Mar-24	30-Sep-24	31-Mar-25	31-Mar-26	31-Mar-27
Number of months of Trade Receivables	1.79	1.72	1.85	1.79	1.81	1.84	2.06
Number of Days of Trade Receivables	54.00	52.00	56.00	54.00	54.00	55.00	62.00
Number of Months of Inventories	0.85	1.33	2.02	2.54	2.49	2.91	3.11
Number of days of Inventories	26.00	40.00	61.00	76.00	75.00	87.00	93.00



Number of Months of Trade Payable	5.67	5.62	5.83	5.26	4.65	4.04	3.26
Number of days of Trade Payable	170.00	168.00	175.00	158.00	140.00	121.00	98.00

(1) Inventory days: Closing of inventory for the current period / revenue from sales of products * 365

(2) Trade receivable days: Closing of trade receivables for the current period/ revenue from sales of products * 365

(3) Trade payable days: Closing of trade payables for the current period / total direct cost for the current period * 365

Justification for "Holding Period" levels

The incremental working capital requirement of our company is primarily driven by increase in the trade receivables and Inventories guided by the increase in the revenue from operations. Further, with the fund infusion from the net issue proceeds, we will also be in position to provide timely payment to our suppliers resulting into reduction in trade payables.

The justifications for the holding levels mentioned in the table above are provided below:

Particulars	Details
Trade Receivables	<p>Trade receivables represent amounts owed to our Company by customers. Over the financial years 2021-22, 2022-23, and 2023-24, our trade receivable days have remained within the range of 52-56 days. For the six months ended September 30, 2024, the holding period for trade receivables was recorded at 54 days.</p> <p>Our Company projects a gradual increase in the Trade Receivables Holding Period, aligning with revenue growth, estimating 54 days in FY 2024-25, 55 days in FY 2025-26, and 62 days in FY 2026-27. This upward trend is consistent with past patterns and is primarily attributed to the expected rise in sales volume and an increase in receivables due to our strategic decision to offer more favorable credit terms. By extending payment flexibility, we aim to drive higher sales, strengthen customer relationships, and enhance our market presence.</p>
Inventories	<p>Inventories primarily include surgical materials essential for our operations. Over the financial years 2021-22, 2022-23, and 2023-24, our inventory holding period ranged between 26 and 61 days. For the six months ended September 30, 2024, the inventory holding period increased to 76 days.</p> <p>Looking ahead, our Company anticipates an inventory holding period of 75 days in FY 2024-25, 87 days in FY 2025-26, and 93 days in FY 2026-27. This projected increase is primarily driven by our strategic decision to maintain higher inventory levels to ensure the consistent availability of surgical materials. By optimizing inventory management, we aim to support the seamless execution of diagnostic tests and related activities.</p>



	<p>The extended holding period aligns with our growth strategy, enabling us to meet rising demand efficiently, minimize supply chain disruptions, and enhance service reliability. This proactive approach not only safeguards operational continuity but also reinforces our commitment to delivering high-quality diagnostic services to our customers.</p>
Trade Payables	<p>Trade payables represent the amounts our Company owes to suppliers for the purchase of materials and expenses. Over the financial years 2021-22, 2022-23, and 2023-24, our trade payable holding period ranged between 170 and 175 days. For the six months ended September 30, 2024, this period was reduced to 158 days.</p> <p>Looking ahead, our Company projects a further decline in the trade payable holding period, estimating 140 days in FY 2024-25, 121 days in FY 2025-26, and 98 days in FY 2026-27. This reduction aligns with our strategic initiative to strengthen relationships with suppliers by ensuring timely payments.</p> <p>By shortening the settlement period, we aim to enhance trust and collaboration with our suppliers, improving our ability to negotiate more favorable terms and access competitive pricing for the materials and services we procure. This approach is expected to drive cost efficiencies, ensure a stable supply chain, and support long-term operational sustainability.</p>

Apart from above there are other working capital requirements such as Cash and Bank Balance, Other Current assets, other financial liability, short term provisions, current tax liability and other current liabilities. Details of which are given below.

Cash and Bank Balance	Cash and Cash Equivalents include cash in hand and balance in current account. Cash and Cash Equivalents balance is estimated based on amount required for day-to-day Business operation and for expected Business requirement of company.
Loans and Advances	Loans and advances mainly include Advances to Employees. Loans and advances are estimated based on previous year's outstanding amount and for expected business requirement of company
Other current Assets	Other Assets mainly includes Balances with Government Authorities, Advance to suppliers of goods, Advance to suppliers for expense, Prepaid Expenses, Export Benefits Receivables, Interest Receivable etc. As our company is expanding its business it will require more money for Advance to suppliers of goods. Other Assets is estimated based on previous year's outstanding amount and for expected Business requirement of company
Short-term provisions	Short-term provisions mainly include Provision for employee payables and Provision for expense. Short-term provisions are estimated based on previous year's outstanding amount and for expected Business requirement of company
Other Current Liabilities	Other current liability mainly includes Statutory dues and Advances from Customers. Other current liability is estimated based on previous year's outstanding amount and for expected Business requirement of company
Current Tax Liabilities (net)	Current Tax Liability mainly include Provision for income tax. Current tax liability is estimated based on previous year's outstanding amount and for expected future tax liability of company

