

Issue highlights

- **Kaynes Technology India Ltd ("Kaynes")** was incorporated on March 28, 2008. Kaynes is a leading end-to-end and IoT solutions enabled integrated electronics manufacturing player, having capabilities across the entire spectrum of electronics system design and manufacturing ("ESDM") services. They have experience in providing conceptual design, process engineering, integrated manufacturing and life-cycle support for major players in the automotive, industrial, aerospace and defence, outer-space, nuclear, medical, railways, Internet of Things ("IoT"), Information Technology ("IT") and other segments.
- Kaynes classify their operations under the following business verticals:
 - OEM - Turnkey Solutions - Box Build ("**OEM – Box Build**")
 - OEM - Turnkey Solutions - Printed Circuit Board Assemblies ("PCBAs") ("**OEM – Turnkey Solutions**")
 - Original Design Manufacturer ("ODM")
 - **Product Engineering and IoT Solutions**
- Kaynes operates 8 strategically located manufacturing facilities across India in the states of Karnataka, Haryana, Himachal Pradesh, Tamil Nadu, and Uttarakhand.
- They have portfolio of hardware and software accelerators, cloud platform based service and solution offerings which includes ODM product design, IoT data and analytics platform, and vertical IoT solutions.
- Kaynes is an ISO 9001/14001/45001 BVCI certified company. Their operations comply with global standards and their facilities have 10 global accreditations, making them the most certified ESDM company in India. Kaynes is the first company in the ESDM industry to be National Aerospace and Defense Contractors Accreditation Program ("NADCAP") accredited for aerospace products and is among the few Indian companies to maintain this accreditation.

Brief Financial Details*

(₹ In Cr)

	As at Jun' 30,	As at Mar' 31,		
	2021(03)	2022(12)	2021(12)	2020(12)
Share Capital	46.16	46.16	6.80	6.80
Instruments entirely equity in nature	0.38	0.38	1.08	-
Reserves	165.46	173.54	128.63	88.96
Net worth as stated	212.00	201.81	136.51	95.76
Revenue from Operations	199.27	706.25	420.63	368.24
Revenue Growth (%)	-	67.90%	14.23%	-
EBITDA	24.57	93.67	40.89	41.33
EBITDA Margin (%)	12.33%	13.26%	9.72%	11.22%
Profit before Tax	13.44	59.03	10.87	11.28
Net Profit for the period	10.46	41.68	9.73	9.36
Net Profit Margin (%)	5.04%	5.90%	2.31%	2.54%
EPS – Basic (₹)	2.14^	9.70	2.28	2.32
EPS – Diluted (₹)	2.11^	8.93	2.15	2.32
RONW (%)	4.67%^	20.54%	6.87%	9.90%
ROE (%)	4.78%	24.50%	8.08%	10.51%
ROCE (%)	5.54%	24.44%	13.47%	14.42%
Net Asset Value (₹)	45.30	43.12	29.57	23.47

Source: RHP, *Restated Consolidated, ^ not annualised, # Reserve Excluding debenture redemption reserve and foreign currency translation reserve and including Non-controlling interest. Net profit margin on Total revenue

Issue Details

Fresh Issue of Equity shares aggregating upto ₹530 Cr and Offer for sale of 5,584,664 Equity shares

Issue size: ₹ 842 – 858 Cr
No. of shares: 15,065,880-14,613,624 Shares
Face value: ₹ 10/-
Employee Reservation: ₹ 1.5 Cr

Price band: ₹ 559 – 587
Bid Lot: 25 Shares and in multiple thereof

Post Issue Implied Market Cap =
₹ 3,275 – 3,413 Cr

BRLMs: DAM Capital, IIFL Securities
Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Thursday, 10th Nov'2022
Issue closes on: Monday, 14th Nov'2022

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	17-11-2022
Refunds/Unblocking ASBA Fund	18-11-2022
Credit of equity shares to DP A/c	21-11-2022
Trading commences	22-11-2022

Issue break-up

	No. of Shares		₹ In Cr		% of Issue
	@Lower	@Upper	@Lower	@Upper	
QIB	7,519,522	7,294,035	420.34	428.16	50%
NIB	2,255,858	2,188,211	126.10	128.45	15%
-NIB1	751,953	729,404	42.03	42.82	-
-NIB2	1,503,905	1,458,807	84.07	85.63	-
RET	5,263,667	5,105,825	294.24	299.71	35%
EMP	26,833	25,553	1.50	1.50	
Total	15,065,880	14,613,624	842.18	857.82	100%

NIB-1=NII Bid between ₹ 2 to 10 Lakhs
 NIB-2 =NII Bid Above ₹ 10 Lakhs

Listing: BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue~	Post issue^
49,113,536	58,594,752	58,142,497

~@Lower price Band ^@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	79.78%	63.81%
Public – Investor Selling S/h	10.79%	3.66%
Public - Others	9.43%	33.10%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The Company was incorporated as 'Kaynes Technology India Private Limited' on March 28, 2008. Ramesh Kunhikannan, Savitha Ramesh and RK Family Trust are the Promoters of the company.

Currently, Promoters hold 39,184,484 Equity Shares, equivalent to 79.78% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Ramesh Kunhikannan is the Promoter and Managing Director of the company. He has been associated with the company since incorporation. He has over 33 years of experience in the electronic manufacturing services industry. He oversees the management function of the company and together with their senior management is responsible for the implementation of strategy in respect of such management function.

Savitha Ramesh is the Promoter, Chairperson and Whole-time Director of the company. She has been associated with the company since incorporation. She has over 25 years of experience in electronic manufacturing services industry. She is responsible for the overall implementation of the manufacturing process and controls compliant with different standard across the company.

Jairam Paravastu Sampath is the Whole-time Director and Chief Financial Officer of the company. He has been associated with the company since 2011. He has over 30 years of experience in manufacturing, operations, sales and marketing. He was the vice president of TVS Group and the chief marketing officer of iPath Technologies Pvt Ltd. He was also associated with Hindustan Motors Ltd, TVS Electronics Ltd and Sundaram-Clayton Ltd.

Anup Kumar Bhat is the Independent Director of the company. He has been associated with the company since 2022. He has several years of experience and was previously associated with the Ashok Leyland.

Vivekanandah Ramasamy is the Independent Director of the company. He has been associated with the company since 2022. He has over 30 years of experience and was previously associated with the Titan Engineering and Automation Ltd.

Koshy Alexander is the Independent Director on the Board of the company. He has been associated with the company since 2022. He has approx. 34 years of experience in finance. He was previously associated with Bharat Electronics Ltd as Director (Finance).

Murali S G is the Independent Director on the Board of the company. He has been associated with the company since 2022. He has over 45 years of experience in finance. He was the Group CFO of TVS Motor Company. He was also associated with Voltas and Unilever group.

Poornima Ranganath is an Independent Director on the Board of the company. She has been associated with the company since 2022. She has several years of experience. She is Managing Partner of Law Assist.

Key Managerial Personnel

Rajesh Sharma is the Chief Executive Officer of the company. He has been a part of the company since December 20, 2021. He has over 15 years of experience in accounting and finance.

Srividhya Narayanan is the Company Secretary and Compliance Officer of the company. She has been associated with the company since January 31, 2018. She has over 11 years of experience in legal and secretarial matters.

Sajan Anandaraman is the Head of Commercial and Corporate Affairs of the company. He has been associated with the company since April 10, 1995. He has over 20 years of experience in various field.

OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue are proposed to be utilised as:

Objects	Amount (₹ Cr)
• Repayment/ prepayment, in full or part, of certain borrowings availed by the company;	130.00
• Funding capital expenditure towards expansion of the existing manufacturing facility at Mysore, Karnataka, and near the existing manufacturing facility at Manesar, Haryana;	98.93

Objects	Amount (₹ Cr)
• Investment in the wholly owned Subsidiary, Kaynes Electronics Manufacturing Pvt Ltd, for setting up a new facility at Chamaraajanagar, Karnataka;	149.30
• Funding working capital requirements of the company.	114.74
• General Corporate Purposes	[•]
Total	[•]

Proposed schedule of Implementation and Utilization of Net Proceeds:

(₹ In Cr)

Particulars	Total estimated Cost	Funded from the Net Proceeds	Estimated deployment of the Net Proceeds	
			Fiscal 2023	Fiscal 2024
• Repayment/ prepayment, in full or part, of certain borrowings availed by the company.	130.00	130.00	130.00	-
• Funding capital expenditure towards expansion of the existing manufacturing facility at Mysore, Karnataka, and near the existing manufacturing facility at Manesar.	98.93	98.93	46.19	52.74
• Investment in the wholly owned Subsidiary, Kaynes Electronics Manufacturing Pvt Ltd, for setting up a new facility at Chamaraajanagar, Karnataka.	149.30	149.30	20.00	129.30
• Funding working capital requirements of the company.	114.74	114.74	96.54	18.20
• General Corporate Purposes.	[•]	[•]	[•]	[•]

OFFER DETAILS

The Offer	No. of Shares	
Fresh Issue (₹ 559 Cr)	Approx. upto 9,481,216~ - 9,028,961^ Equity Shares	
Offer for Sale	Upto 5,584,664 Equity Shares	Average Cost of Acquisition (₹)
The Promoter Selling Shareholder:		
Ramesh Kunhikannan – Promoter Selling Shareholders	Upto 2,084,664 Equity Shares	0.38
Freny Firoze Irani – Investors Selling Shareholders	Upto 3,500,000 Equity Shares	73.94

(~ at lower price band and ^ upper price band)

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter and Promoters Group					
Promoter	39,184,484	79.79%	2,084,664	37,099,820	63.18%
Total for Promoter and Promoter Group	39,184,484	79.78%	2,084,664	37,099,820	63.18%
Public - Selling Shareholders	5,298,924	10.79%	3,500,000	1,798,924	3.66%
Public - Other	4,630,128	9.43%	0	19,243,752	33.10%
Total for Public Shareholder	9,929,052	20.22%	3,500,000	21,042,676	36.19%
Total Equity Share Capital	49,113,536	100.00%	5,584,664	58,142,496	100.00%

BUSINESS OVERVIEW

Kaynes Technology Limited (“**Kaynes**”) is a leading end-to-end and IoT solutions enabled integrated electronics manufacturing player, having capabilities across the entire spectrum of electronics system design and manufacturing (“**ESDM**”) services. They have experience in providing conceptual design, process engineering, integrated manufacturing and life-cycle support for major players in the automotive, industrial, aerospace and defence, outer-space, nuclear, medical, railways, Internet of Things (“**IoT**”), Information Technology (“**IT**”) and other segments.

BUSINESS VERTICALS

Kaynes classify their operations under the following business verticals:

OEM - Turnkey Solutions - Box Build ("OEM – Box Build")	Kaynes undertakes "Build to Print" or "Build to Specifications" of complex box builds, sub-systems and products across various industry verticals.
OEM - Turnkey Solutions - Printed Circuit Board Assemblies ("PCBAs") ("OEM-Turnkey Solutions")	Kaynes undertakes turnkey electronics manufacturing services of PCBAs, cable harness, magnetics and plastics ranging from prototyping to product realization including mass manufacturing.
ODM	Kaynes offers ODM services in smart metering technology, smart street lighting, brush less DC ("BLDC") technology, inverter technology, gallium nitride based charging technology and providing IoT solutions for making smart consumer appliances or devices IoT connected.
Product Engineering and IoT Solutions	Kaynes offers conceptual design and product engineering services in industrial and consumer segments. Their services include PCB cladding or electrical schematics to embedded design and submitting proof of concept to prototyping. They also offer connected product engineering and solutions. They have a portfolio of hardware, software accelerators and proprietary sensors along with cloud platform based service and solution offerings in asset tracking, remote device management and smart product development. Their digital engineering offerings leverage latest technologies including IoT, big data, machine learning, cloud and media to improve customers' efficiency. They also provide end-to-end IoT and cloud enablement solutions and offer IoT data and analytics platform and vertical IoT solutions.

Kaynes operates 8 strategically located manufacturing facilities across India in the states of Karnataka, Haryana, Himachal Pradesh, Tamil Nadu, and Uttarakhand. Their facilities are located in proximity to their customers, allowing them to service their requirements efficiently and cost-effectively. Certain of their manufacturing facilities are approved under the Electronics Hardware Technology Park Scheme of Software Technology Park of India, Bengaluru that offers incentives similar to a special economic zone. As of June 30, 2022, they had a combined capacity to assemble over 150 crore components for the period and have an exclusive line for 'Green Manufacturing' that is compliant with Directive 2002/95/EC Restriction of Hazardous Substances ("RoHS"). As of June 30, 2022, their manufacturing infrastructure also includes 1 design facility and 2 service centers.

Kaynes lays significant emphasis on research and development. This has enabled them to address their consumers' diverse needs, enhance existing products with emerging technologies, introduce new and innovative products in the market, enhance existing products with emerging technologies, and optimize costs across their products through value analysis and value engineering. They have a dedicated research and development facility located within their facility at Mysore, Karnataka. Company's research and development efforts are focused on development of new products and improvement of the quality of their existing products; and driving the design and engineering capabilities and original design manufacturing capabilities. As of June 30, 2022, their research and development team comprised 19 employees, including engineers, designers, and other workers.

Over the years, Kaynes has focused on creating robust manufacturing systems and processes that comply with health and safety, as well as environmental and social and governance requirements. Their operations comply with global standards and their facilities have 10 global accreditations, making them the most certified ESDM company in India. Kaynes is an ISO 9001/14001/45001 BVCI certified company. Their facilities are approved by global product certification agencies including Underwriters Laboratories, Canadian Standards Association and TUV Rhineland. In addition, they have separate vertical specific certifications including EN/AS 9100 for defense and aerospace products, International Railway Industry Standard ("IRIS") (ISO/TS 22613) for railway signalling, IATF 16949 for automotive, and ISO:13485 for medical systems. Kaynes is the first company in the ESDM industry to be National Aerospace and Defense Contractors Accreditation Program ("NADCAP") accredited for aerospace products and are among the few Indian companies to maintain this accreditation.

Kaynes has long-term relationships with a large customer base diversified across verticals and geographies. In the 3 months ended June 30, 2022, they served 229 customers in 21 countries globally and multiple industry verticals such as automotive, aerospace and defense, industrial, railways, medical and IT / ITES. Of the customers contributing 80% of their revenue from operations in the 3 months ended June 30, 2022, 37.50% of their customers (by value) have been associated with them for over 7 years and accounted for 31.45%, 33.95%, 30.17% and 27.66%, respectively, of their revenue from operations in Fiscal 2020, 2021 and 2022 and in the 3 months ended June 31, 2022. They collaborate with their customers through the entire product life-cycle and after-sales and end-of-life services

including assisting with concept creation, product development, prototyping, testing and mass manufacturing. This results in customers shortening their product development and time-to-market cycles.

Kaynes is led by experienced Promoters with significant experience in the ESDM industry. Their Promoter and Managing Director, Ramesh Kunhikannan, started Kaynes Technology as a sole proprietorship in 1989. Ramesh Kunhikannan is a technocrat and has over 33 years of experience in the electronic manufacturing services industry. Savitha Ramesh, their Promoter and Whole-time Director has been associated with the company since 1996 and is responsible for the overall implementation of process and control across their operations. They also have a qualified and experienced Key Managerial Personnel that has demonstrated its ability to anticipate and capitalize on changing market trends, manage, and grow their operations and leverage and deepen customer relationships.

KEY PERFORMANCE INDICATORS

KPIs	3 Months ended June 30	Financial Year Ended March 31,		
	2022	2022	2021	2020
Gross Margin (%)	29.48%	30.70%	31.98%	34.37%
EBITDA Margin (%)	12.33%	13.26%	9.72%	11.22%
Restated PAT Margin (%)	5.04%	5.90%	2.31%	2.54%
ROE (%)	4.78%	24.50%	8.08%	10.51%
ROCE (%)	5.54%	24.44%	13.47%	14.42%
Asset Turnover Ratio	1.34	4.79	3.68	4.02
Net Working Capital Days	122	98	117	121
Debt to Equity Ratio	0.88	0.84	1.02	1.50

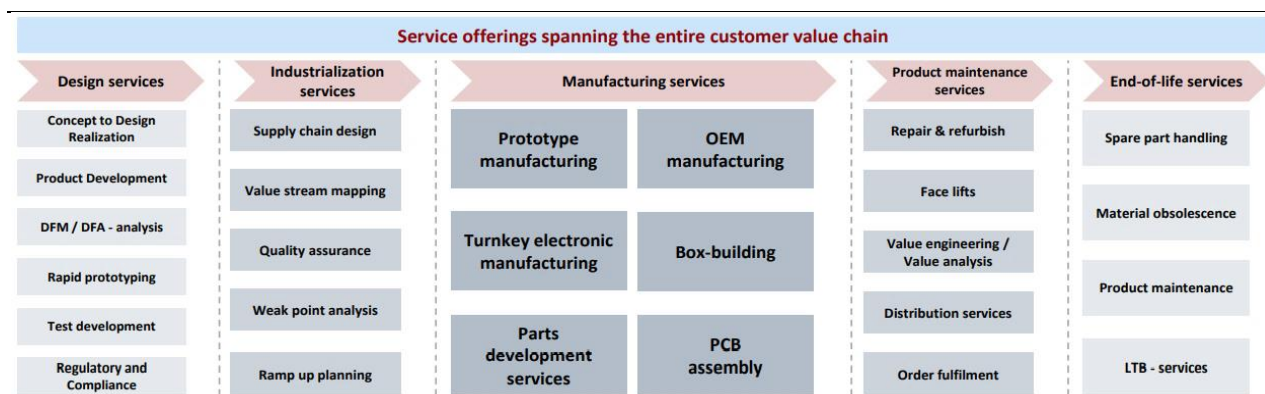
MARQUEE CUSTOMERS

- Agappe Diagnostics Ltd.,
- Canyon Aero (formerly Cobham Aerospace Communications) ("Canyon AERO"),
- Frauscher Sensor Technology India Pvt Ltd.,
- Hitachi Rail STS India Pvt Ltd.,
- India Japan Lighting Pvt Ltd.,
- Siemens Rail Automation Pvt Ltd.,
- Iskraemeco India Pvt Ltd.,
- Tonbo Imaging India Pvt Ltd.,

Company's various customers in different industry verticals:

Company's various customers in different industry verticals.	Number of Customers				Average period of business relationship of top 10 customers (years)*
	for the 3 months ended June 30, 2022		Fiscal 2022		
	Domestic	International	Domestic	International	
Industry Vertical					
Automotive	45	2	67	5	5.20
Industrial	105	21	179	29	8.78
Aerospace and Defence, Outer-space and Nuclear	10	2	23	2	7.00
Medical	15	5	23	6	6.30
Railways	13	1	10	5	8.80
IoT / IT and Others	6	5	16	7	7.44
Consumer	6	0	6	1	3.67

COMPANY BUSINESS AND PRODUCTS



MANUFACTURING FACILITIES

As of June 30, 2022, Kaynes operates various facilities comprising 8 manufacturing facilities, 1 design facility, 2 service centers and 1 packaging and dispatch facility located across in Karnataka, Haryana, Himachal Pradesh, Tamil Nadu, Uttarakhand, Kerala and Maharashtra. Their facilities at Manesar, Haryana, Chennai, Tamil Nadu and Parwanoo, Himachal Pradesh are strategically located in close proximity to their customers.

Their Mysuru, Karnataka – Unit – I facility is approved under Electronics Hardware Technology Park Scheme of Software Technology Park of India, Bengaluru their manufacturing facility at Chennai, Tamil Nadu is approved under 100% EOU Scheme of Madras Export Processing Zone, Chennai, both such schemes offer incentives similar to a special economic zone. Being a part of the ESDM Cluster of Reliability Lab, they benefit from access to electro-magnetic interference testing and electromagnetic compatibility testing, component testing, reliability testing, and environmental testing laboratories.

They have capability in manufacturing RoHS compliant products and have set up an environmentally friendly and exclusive “lead free” manufacturing line for PCBAs. They also have the capability to make engineering changes through component engineering to convert a product into being RoHS compliant. As of June 30, 2022, their manufacturing infrastructure includes 269,000 square feet of electrostatic discharge free facilities with 7 robotics surface mount lines.

Facility and details

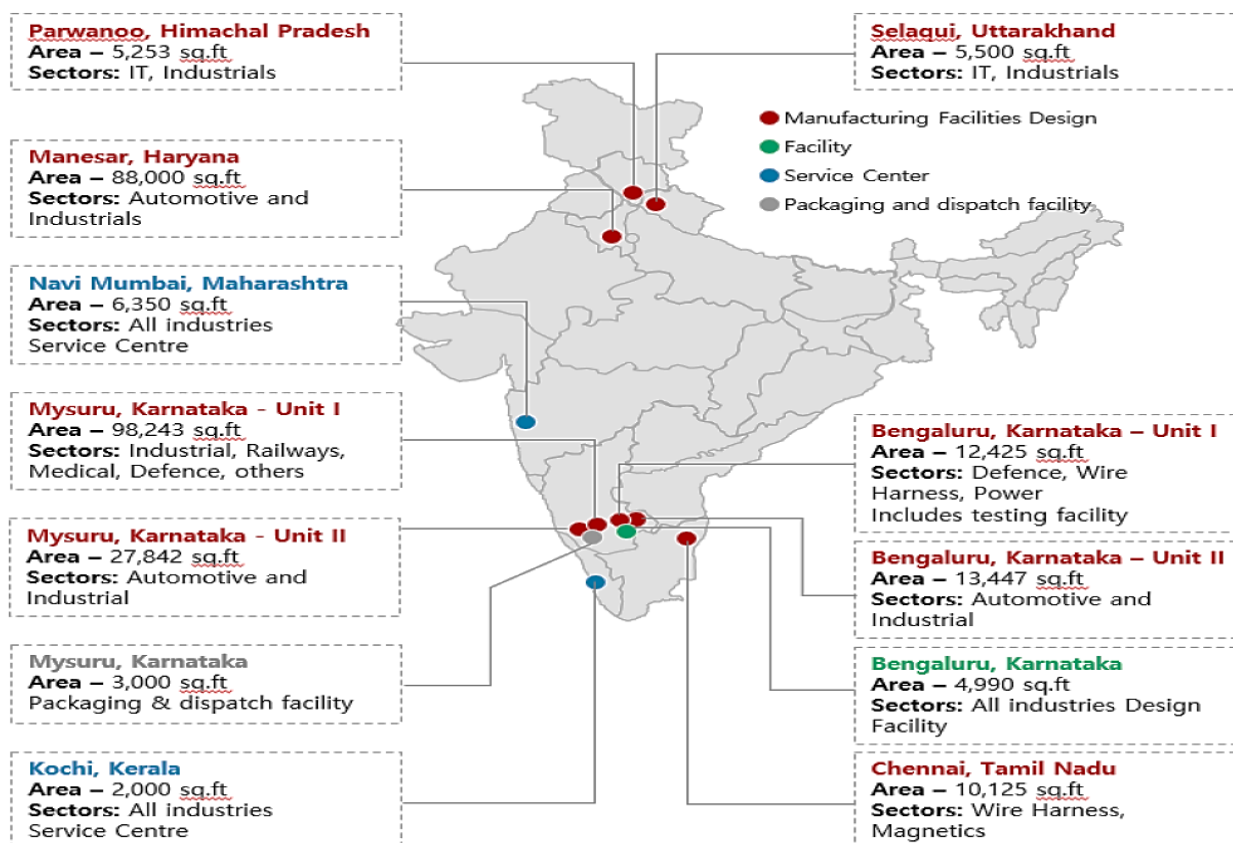
Location	Verticals	Area (Sq. Feet)	Owned / Leased
Manufacturing Units			
Mysuru, Karnataka – Unit I	Railways, Defense and Aerospace, Medical and Industrials	126,085	Owned
Mysuru, Karnataka – Unit II			Leased
Parwanoo, Himachal Pradesh	IT, Telecom, Industrial, Medical and Automotive	5,253	Owned
Selaqui, Uttarakhand	IT and Industrial	5,500	Leased
Bengaluru, Karnataka – Unit I	Automotive, Medical, IOT, IT and Industrial	12,425	Leased
Bengaluru, Karnataka – Unit II	Automotive and Industrial	13,447	Leased
Chennai, Tamil Nadu	Automotive, Medical and Industrial	10,125	Leased
Manesar, Haryana	Industrial, Medical and Automotive	88,000	Leased
Service Centers		Area (Sq. Mtr)	
Kochi, Kerala	Aerospace and Defense	185.80	Leased
Navi Mumbai, Maharashtra	Railway, Aerospace, Defence and Industrial	589.93	Leased
Design Facility		Area (Sq. Feet)	
Bengaluru, Karnataka	Automotive, Industrial, Aerospace, Defence, Outer-space and Nuclear, Medical, Railways, IoT / IT & Others and Consumer	4,990	Leased
Packaging and Dispatch Facility		Area (Sq. Feet)	
Mysuru, Karnataka	Industrial	3,000	Leased

Aggregate Installed Capacity and Capacity Utilization

Manufacturing Facility	As of and for the 3 months ended Jun'30, 2022			As of/for March 2022			As of/for March 2021			As of/for March 2020		
	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)
SMT Components Placement/ Assembly: (per Annum) (Million)												
Mysuru, – Unit I & II	240.12	175.90	73.25%	652.55	587.76	90.07%	458.26	377.78	82.44%	464.94	360.87	77.62%
Parwanoo, HP	18.16	8.61	47.40%	72.64	26.82	36.92%	60.53	27.43	45.32%	72.64	30.80	42.40%
Manesar, Haryana	119.15	83.53	70.10%	196.24	184.01	93.76%	148.67	102.44	68.91%	178.40	100.76	56.48%

Manufacturing Facility	As of and for the 3 months ended Jun'30, 2022			As of/for March 2022			As of/for March 2021			As of/for March 2020		
	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)
PCB Assembly: (per Annum) (Million)												
Mysuru, – Unit I & II	10.37	7.59	73.25%	37.12	33.44	90.07%	29.24	24.1	82.44%	14.34	11.13	77.62%
Parwanoo, HP	0.41	0.19	47.40%	3.21	1.19	36.92%	1.96	0.89	45.32%	1.75	0.74	42.40%
Manesar, Haryana	2.90	2.03	70.10%	4.94%	4.64	93.76%	3.30	2.28	68.91%	3.00	1.69	56.48%

GEOGRAPHICAL REACH



REVENUE FROM OPERATIONS

The revenue from operations across various service segments for the periods indicated:

Services	3 months ended June 30,		Fiscal					
	2022		2022		2021		2020	
	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total
OEM – Turnkey Solutions – Box Build	46.87	23.52%	198.82	28.15%	127.63	30.34%	94.21	25.58%
OEM – Turnkey Solutions – Printed Circuit Board Assemblies	132.70	66.59%	443.62	62.81%	250.91	59.65%	229.00	62.19%
ODM	9.90	4.97%	27.80	3.94%	18.42	4.38%	7.62	2.07%
Product Engineering and IoT solutions	9.80	4.92%	36.01	5.10%	23.67	5.63%	37.41	10.16%
Total	199.27	100.00%	706.25	100.00%	420.63	100.00%	368.24	100.00%

The revenue from operations across the various end-use industry verticals:

Industry	3 months ended June 30,		Fiscal					
	2022		2022		2021		2020	
	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total
Automotive	82.30	41.30%	237.04	33.56%	100.36	23.86%	74.74	20.30%
Industrial	53.17	26.68%	210.48	29.80%	139.38	33.14%	117.81	31.99%
Aerospace, Defense, Outer-space and Nuclear	0.68	0.34%	17.77	2.52%	13.55	3.22%	20.00	5.43%
Medical	11.08	5.56%	71.17	10.08%	46.22	10.99%	22.97	6.24%
Railways	20.21	10.14%	73.11	10.35%	59.60	14.17%	63.09	17.13%
IoT / IT and Others	9.88	4.96%	37.54	5.32%	24.73	5.88%	40.31	10.95%
Consumer	21.94	11.01%	59.14	8.37%	36.78	8.74%	29.32	7.96%
Total	199.27	100.00%	706.25	100.00%	420.63	100.00%	368.24	100.00%

COMPETITIVE STRENGTHS

- **Internet of Things (“IoT”) solutions enabled integrated electronics manufacturing player with end-to-end capabilities across the Electronics System Design and Manufacturing spectrum**

Kaynes is a leading end-to-end and IoT solutions enabled integrated electronics manufacturing player, engaged in concept cocreation with the customers followed by product realization and life-cycle support.

They also provide various value-added services such as obsolescence management, warehousing support, value engineering and value analysis, last time buy services that include purchase of electronic components that are either being discontinued or have been discontinued in larger quantities than immediately required for manufacturing continuity, regulatory and compliance and DFM / DFA analysis. Their ODM capabilities include hardware, software and firmware design, mechanical design, product integration and testing, amongst others. They have also evolved to offer customers in-house developed IoT technology consisting of hardware, software, and firmware design and tools which accelerate time-to-market and de-risk their customer’s product development lifecycle. They have developed designs for miniaturized Bluetooth modules, smart lighting with embedded Bluetooth, ceiling fans and remotes with embedded Bluetooth, various industrial sensors, wireless gateways with Bluetooth, Wi-Fi and 4G, streetlight controller working on wireless area network (“WAN”) technology, smart meters compliance 4G WAN and connected vending machines. They possess the ability to manufacture complex products through innovative engineering across various industry verticals.

They operate their canvas-to-cloud industrial internet of things (“IIoT”) solutions through their Subsidiary, Kemsys. Their value proposition is to assist OEMs to transform their legacy products into smart systems by incorporating combination of sensors, micro-processors, software, and connectivity technologies in multiple ways. They differentiate themselves by providing in-house developed IoT IPs and tools which accelerate time to market and de-risk their customer’s product development lifecycle. As of June 30, 2022, they have a dedicated facility with a team of 49 engineers and employees who possess in-depth technical knowledge and expertise in assisting customers of their subsidiary, Kemsys, in their solutions.

The key capabilities are as below:

- **Platform:** Kaynes offers a customizable remote device and data management platform, ready to white label, making it convenient for OEMs to securely register, organize, monitor, collect and remotely manage IoT devices and all relevant data at scale.
- **Solutions:** Kaynes offers IoT solutions in vertical applications for asset tracking, asset performance monitoring, and predictive maintenance solutions targeting industrial OEMs both in Asia Pacific region, and USA.
- **Devices:** Kaynes has built IoT ODM products including sensors, gateways, HMIs, connectivity modules targeting industrial and consumer IoT market.
- **Diversified business model with portfolio having applications across industry verticals**

Kaynes has a wide-ranging product portfolio having applications across industry verticals such as automotive, telecom, aerospace and defense, space, medical, IoT and industrial, each of which are individually growing. Their

diverse portfolio limits their exposure to downturns associated with a particular vertical. It also ensures that their revenues are consistent across periods on account of their customers serving different industry verticals with different business or industry cycles.

- **Long-standing relationships with marquee customer base**

Kaynes has a diversified customer base and they served 229 customers in 21 countries across 3 continents in the 3 months ended June 30, 2022. Their customers span multiple sectors, ranging from electronics, to automotive, to healthcare, industrial and IoT. They have a balanced mix of domestic and international customers including certain Fortune 500 companies, multinational corporations and start-ups.

They have low customer revenue concentration and their reliance on any single customer is limited. No customer contributed to over 15% of their revenue from operations in the last 3 Fiscals and in the 3 months ended June 30, 2022. In Fiscal 2020, 2021 and 2022 and in the 3 months ended June 30, 2022, their top 10 customers generated ₹ 197.42 crore, ₹ 193.62 crore, ₹ 360.31 crore and ₹ 125.15 crore, of their revenue from operations, respectively and accounted for 53.61%, 46.03%, 51.02% and 62.81%, respectively, of their revenue from operations in such periods. The value of each customer order has been increasing from an average order size of ₹ 0.15 crore in Fiscal 2020 to an average order size of ₹ 0.55 crore in Fiscal 2022, at a CAGR of 92.44%. Company's business footprint spans across geographies and as of June 30, 2022, they serve customers across 21 countries and they have a sales and business development team of 36 employees that allow them to generate business across such geographies.

The exports and revenues generated from export sales:

Particulars	3 Months ended June 30	As of /for Financial Year Ended March 31,		
	2022	2022	2021	2020
No. of Countries Products Exported	20	20	18	17
Revenue from Operations (₹ Cr)	25.26	141.18	107.85	75.52
Percentage of Total Revenue from Operations (%)	12.68%	19.99%	25.64%	20.51%

The geographies where they export their products and revenues generated:

Particulars	As of / for the 3 Months ended June 30	As of /for Financial Year Ended March 31,		
	2022	2022	2021	2020
North America	4.50	44.32	30.65	27.61
Europe	16.55	79.07	36.07	31.16
South-East Asia	1.06	5.17	6.29	3.70
Others	5.66	12.62	34.84	13.05
Total	25.26	141.18	107.85	75.52

(₹ Cr)

- **Global certifications for each industry vertical catered to and multiple facilities across India with advanced Infrastructure**

- **Global Certifications**

Over the years, they have focused on creating robust manufacturing systems and processes. They adhere to global standards and have obtained various global certifications. They are part of the Maruti Center For Excellence ("MACE") and also, qualified as a "Green" partner for a certain customer and accredited for electronic assemblies for space craft applications from U.R. Rao Satellite Centre, ISRO. They have also received the Certification of Military Airworthiness documents or CEMILAC for instrumentation electronics repair, which enables them to perform avionics repair. They are also certified by the Center for Design and Development of Chittaranjan Locomotive Works of the Indian Railways for the repair and rehabilitation of 3-phase locomotives.

As part of their services offerings, they undertake repairs and provide rehabilitation of electronic cards in the railways, aerospace and defense and industrial verticals at their servicing and maintenance business unit at Navi Mumbai. The said business unit also specializes in re-engineering at component and PCBA level in order to meet obsolescence and discontinuance issues, along with design and development of cards edge level test set up for electronic assemblies.

- ***Manufacturing Facilities***

Company's facilities are scalable allowing them to expand their capacity within a short time period without incurring significant capital expenditure. This is primarily on account of relatively short procurement and installation time for surface mount technology ("SMT") lines and ability to augment manual lines without requiring incremental real estate. As such, their capacity can be scaled. All their manufacturing lines are fungible with the flexibility to service customers across industry verticals and across diverse product requirements.

- ***Strong supply chain and sourcing network***

Kaynes possess a mature and reliable supply chain network. They are long-term relationships with their vendors within India and outside India, that has led to improvement in credit terms over the years. As of June 30, 2022, they work with over 871 vendors and source materials from various regions including North America, Europe, Singapore as well as locally within India. Their Top-10 suppliers have an average relationship period of over 10.80 years, as of June 30, 2022. They do not rely on a single source or vendor for components, instead, have alternative sources for vendors for each component category. This offers them leverage to ensure availability of materials and negotiate better credit terms at cost-effective rates. They utilise specialized dealers for niche verticals.

- ***Track record of consistent financial performance***

Kaynes is profitable for every year since inception. They have delivering consistent financial performance, despite the impact of the COVID-19 pandemic on their business operations. Their revenue from operations has grown at a CAGR of 38.49% from ₹ 368.24 crore in Fiscal 2020 to ₹ 706.25 crore in Fiscal 2022 and was ₹ 199.27 crore in the 3 months ended June 30, 2022, while their EBITDA has grown at a CAGR of 50.54% from ₹ 413.33 million as of March 31, 2020 to ₹ 93.67 crore as of March 31, 2022 and was ₹ 24.57 crore, respectively, in the 3 months ended June 30, 2022.

- ***Experienced Promoters and senior management with extensive knowledge of the sector***

Kaynes is led by an experienced management team. Their Managing Director and Promoter, Ramesh Kunhikannan, is a first-generation entrepreneur and has more than 3 decades of experience in the ESDM industry. Their other key management personnel have been with the company for more than 15 years and head the functions of Market Development, Plant Operations and Commercial and have been instrumental in managing their rapidly expanding growth, implementing strategic marketing with overseas business initiatives and improving financial performance. They have a well-qualified senior management team with extensive experience in the EMS industry.

KEY BUSINESS STRATEGIES

- ***Focus on full product / box build capabilities***

As an ESDM player Kaynes catering to OEMs through in-house build of test fixtures, provide product reliability at closer proximity with faster turn-around time, delivering complex prototypes in shorter lead times and setting-up product or box build manufacturing with zero defects will ensure more customers with larger revenue share. In addition, as an integrated manufacturing player, providing almost all the services in-house from electronics to tooling, sheet metal, magnetics, cable harness, test benches will increase the share of box build. To fulfil this aspect of integrated manufacturing, their new plant at Chamarajanagar, Karnataka is being prepared with integrated inhouse and onsite infrastructure with specialized skills to do complete product or Box Build.

As an ODM, they are responsible for products they manufacture, from initial design stage and subsequently all the aspects of manufacturing, including planning and sourcing of raw materials and components. Although, the ODM model of business requires additional investment in research and development as well as working capital, it results in higher margins, recurring business with high customer retention, as compared to the OEM model.

Kaynes intends to deploy up to ₹ 248.23 crore from the Net Proceeds to fund capital expenditure towards upgrading and expanding their existing facility at Mysuru, Karnataka – Unit - I, and near their existing facility at Manesar, Haryana, and to set up a new facility at Chamarajanagar, Karnataka.

- ***Leverage the research and development capabilities to continue to diversify product portfolio and provide value-added services***

Kaynes intends to leverage on their experience and capabilities of their in-house design and research and development team to further their ODM capabilities. ODM services allows them to design and develop a product for

a customer as per stated specifications and features. They are increasing their product design competency in their chosen areas of technological competency and trying to introduce newer applications with increased focus in developing collaboration with chip manufacturers and building stronger team with skills in embedded hardware design, firmware and software. This is a continuous process of up-skilling and adding infrastructure by investing in newer licenses, testing equipment and application software. As of June 30, 2022, their design, research and development team comprised 19 employees and has capabilities to provide end-to-end support.

Company's expansion strategies also include customer acquisition for smart meter ODM, appliance electronics ODM, solar panel cleaners as ODM, BLDC electric motor ODM as part of their diversified product portfolio.

• ***Focus on expansion across each vertical to capitalize on industry opportunity***

Kaynes intends to undertake vertical-focused expansion, to expand their business:

- ***Aerospace, Defence and Outer-Space:*** The aerospace segment appears promising because of the increasing trend in the budget allocation, modernization and the procurement of state-of-the-art electronic equipment and technology. Kaynes intends to set up dedicated infrastructure, skills and competencies to address complex avionics assembly and testing.
- ***Automotive:*** Automotive is one of the key growth opportunity verticals for ESDM providers in the next 5 years, due to the technology transformation currently underway with autonomous cars development and electric car commercialization activities. Moreover, the rapidly growing electronics content will accelerate the growth of ESDM revenue from this vertical. Kaynes has established themselves as a major supplier to OEMs for electronics in automotive lighting, passive entry passive start, electronic control units, door switches, clusters, sensors, electric vehicle electronics, converters, battery management system and electronic drives.
- ***Healthcare:*** Kaynes has been associated with number of medical startups where the biggest challenge is taking the idea from a concept stage to complete product realization. In their experience, not many companies in India offer these services as it involves early engagement, design, engineering, supply chain, reliability, test and manufacturing support. India has developed into a key centre for high-end diagnostic services as a result of large capital expenditure, therefore serving a large population.
- ***Industrials:*** Kaynes intends to enhance their presence in the smart energy meter segment, through ODM products with strategic customers. They intend to expand their customer base in the low voltage power switchgear segment as a part of import substitution and strategically develop their business in the large volume ODM electronics segment, on BLDC motor controllers and inverters in particular, various types of dispensing technology and focusing on solar energy related electronics.
- ***IoT:*** The adoption of IoT solutions for digital utilities and Smart Cities, as well as industries like manufacturing, and automotive, will fuel demand for industrial IoT applications in the future. Kaynes intends to expand their ODM products under their current KPTR, KemPaas and KemSight platforms, build capabilities across communication technologies and develop communication modules for smart meters.
- ***Railways:*** There are currently a number of global OEMs in signalling innovations and the Indian market is controlled by global OEMs. Kaynes works with most of the major global OEM. They intend to tap into installation and maintenance of electronics equipment, branch out to traction electronics, on-board electronics, rolling stock lighting and information systems. They intend to invest in design for the Research Design and Standards Organization of certain select product categories.
- ***Consumer Electronics:*** Kaynes intend to grow the consumer electronics and appliances segment in the areas of personal electronic devices such as consumer audio and wearables, lighting components and controls, components for consumer appliances, which require electronics solutions to make the device energy efficient and connected, home security and surveillance, communication modules as a connected technology for providing indigenous solutions for various applications, IT accessories to provide locally designed and manufactured product for brands to increase local manufacturing component and connected devices and platforms.

Company's diversified products and customer base over the years, backed by their end-to-end integrated business model and their manufacturing capabilities has led to their order book growing from ₹ 352.17 crore as of March 31, 2020 to ₹ 1,516.63 crore, as of March 31, 2022.

As on June 30, 2022, they had an order book of ₹ 2,266.26 crore, with orders from several customers across business verticals. Currently, they are involved in several projects in their different business verticals like smart-meters, automotive lighting, electronic control units, hand-held diagnostic hardware, IOT driven smart solutions, dispensing solutions and avionic electronics.

- **Continue to expand the customer base to focus on large customers**

Over the last 3 Fiscals and in the 3 months ended June 30, 2022, Kaynes has been able to consistently grow their customer base. In Fiscal 2020, 2021 and 2022, and in the 3 months ended June 30, 2022, they served 283, 292, 346 and 229 customers, respectively, across their different business verticals. The company intends to acquire customers that can provide higher value business, to increase the wallet share with their existing customers through a combined means of marketing strategies and capacity enhancement of their manufacturing facilities to improve their services to their customers, and to attract customers who can provide to them higher margins.

They intend to set up sales and marketing offices in the United States, Japan and Europe in order to grow their exports. As of June 30, 2022, they have 36 employees in their sales and business development team who specialise in assisting them in customer acquisition efforts.

- **Expand manufacturing capacity at the existing facilities and set-up additional strategically located facilities**

In order to support their growth strategy across India, Kaynes intends to set up an additional manufacturing facility at Chamarajnagar, Karnataka and undertake significant expansion at their current facility at Mysuru, Karnataka – Unit - I and near their existing facility at Manesar, Haryana. They also intend to expand their existing manufacturing facilities to increase their manufacturing capacity.

- **Further improve operational efficiency through backward integration of manufacturing facilities**

In order to improve the operational efficiency, Kaynes intends to implement comprehensive backward integration measures by manufacturing in-house components like bare printed circuit boards and get into deep competencies in design of integrated circuits, chip sets and system on chips to leverage complete backward integration for supporting component development.

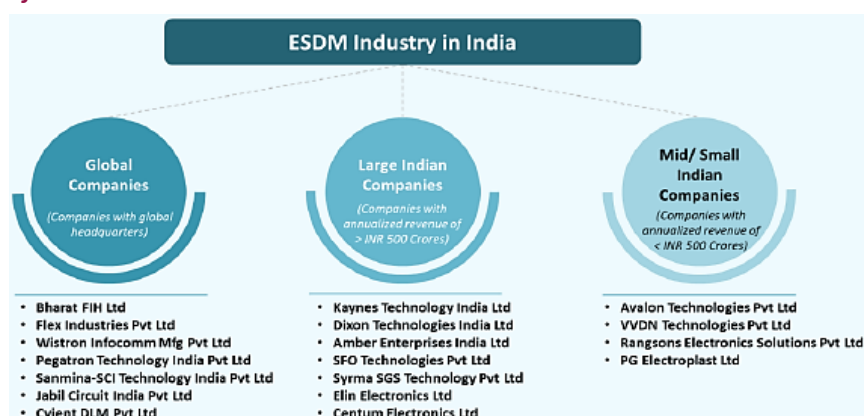
These backward integration measures will allow them to reduce their dependence on third party components, reduce lead time on account of synchronization of actual requirements leading to faster utilization of remaining components, better management of their material inventory, and contribute to higher margins. They have received approval under the Production Linked Incentive Scheme for White Goods (Air Conditioner and LED Lights whereby they have committed to make an investment of ₹ 50 crore. In addition, their Subsidiary, Kaynes International Design and Manufacturing Pvt Ltd has submitted an application under the Scheme Design Led Manufacturing of Telecom and Networking Equipments which is under consideration.

- **Pursue inorganic growth through selective partnerships and acquisitions**

Kaynes intends to pursue inorganic growth opportunities through selective strategic acquisitions to complement the scale of their operations and growth in recent periods. As part of their foray into the consumer electronics segment, they intend to pursue strategic acquisitions and investments and other strategic alliance partnerships within the ESDM sector that are complementary to their current and future business verticals.

INDUSTRY OVERVIEW

Industry Structure of EMS market in India



Comparative Analysis – Revenue, EBITDA and EBITDA %, India, Fiscal 2020 to Fiscal 2022

Name of the ESDM Company	Revenue (₹ Cr)			EBITDA (₹ Cr)			EBITDA (%)		
	FY22	FY21	FY20	FY22	FY21	FY20	FY22	FY21	FY20
Kaynes Technology India Ltd	706.25	420.63	368.24	93.67	40.89	41.33	13.3%	9.7%	11.2%
Bharat FIH Ltd	18,149.20	15,854.86	26,635.56	492.78	386.93	693.28	2.7%	2.4%	2.6%
Dixon Technologies India Ltd	10,697.08	6,448.17	4,400.12	379.11	286.59	223.06	3.5%	4.4%	5.1%
Amber Enterprises India Ltd	4,206.40	3,030.52	3,962.79	275.38	220.29	309.27	6.5%	7.3%	7.8%
SFO Technologies Pvt Ltd	NA	1,659.34	1,788.97	NA	156.28	157.88	NA	9.4%	8.8%
Elin Electronics Ltd	1,093.75	862.38	785.58	79.02	66.48	55.46	7.2%	7.7%	7.1%
Avalon Technologies Pvt Ltd	840.72	690.47	641.87	97.55	66.14	64.48	11.6%	9.6%	10.0%
Syrma SGS Technology Ltd	1,266.65	887.40	865.65	125.98	99.91	136.56	9.9%	11.3%	15.8%
VVDN Technologies Pvt Ltd	NA	665.99	309.09	NA	78.73	19.71	NA	11.8%	(6.4)%
Sanmina-SCI Technology India Pvt Ltd	83.42	90.85	86.15	20.77	28.91	22.69	24.9%	31.8%	26.3%

Comparative Analysis – PAT, PAT% and Export Sales, India, Fiscal 2020 to Fiscal 2022

Name of the ESDM Company	PAT (₹ Cr)			PAT (%)			Export Sales (%)		
	FY22	FY21	FY20	FY22	FY21	FY20	FY22	FY21	FY20
Kaynes Technology India Ltd	41.68	9.73	9.36	5.9%	2.3%	2.5%	20.0%	25.6%	20.5%
Bharat FIH Ltd	195.06	161.92	389.71	1.1%	1.0%	1.5%	0.0%	0.0%	0.0%
Dixon Technologies India Ltd	190.33	159.79	120.50	1.8%	2.5%	2.7%	0.1%	0.1%	0.1%
Amber Enterprises India Ltd	111.32	83.28	164.14	2.6%	2.7%	4.1%	0.8%	0.7%	0.9%
SFO Technologies Pvt Ltd	NA	37.34	75.80	NA	2.3%	4.2%	NA	38.3%	41.1%
Elin Electronics Ltd	39.18	34.86	27.49	3.6%	4.0%	3.5%	0.3%	0.8%	1.0%
Avalon Technologies Pvt Ltd	68.16	23.08	12.33	8.1%	3.3%	1.9%	39.9%	44.1%	39.7%
Syrma SGS Technology Ltd	76.46	65.54	91.50	6.0%	7.4%	10.6%	43.6%	53.3%	57.6%
VVDN Technologies Pvt Ltd	NA	43.34	(16.65)	NA	6.5%	(5.4)%	NA	35.1%	54.3%
Sanmina-SCI Technology India Pvt Ltd	14.83	20.12	17.89	17.8%	22.2%	20.8%	80.9%	84.0%	16.9%

Comparative Analysis – RoE, RoA, NAV, India, Fiscal 2020 to Fiscal 2022

Name of the ESDM Company	ROE (%)			ROA (%)			NAV (Rs.)		
	FY22	FY21	FY20	FY22	FY21	FY20	FY22	FY21	FY20
Kaynes Technology India Ltd	24.5%	8.1%	10.5%	6.7%	2.3%	2.5%	43.1	29.6	23.5
Bharat FIH Ltd	6.4%	5.7%	14.6%	2.0%	1.9%	4.5%	12.7	11.9	11.1
Dixon Technologies India Ltd	19.1%	21.7%	22.3%	4.4%	5.6%	7.1%	169.3	126.8	92.3
Amber Enterprises India Ltd	6.3%	5.1%	14.0%	2.3%	2.3%	5.7%	526.2	501.9	369.9
SFO Technologies Pvt Ltd	NA	6.2%	13.4%	NA	2.4%	5.1%	NA	6,612.0	6,204.4
Elin Electronics Ltd	13.9%	14.5%	13.3%	7.4%	6.9%	7.1%	74.2	385.3	334.6
Avalon Technologies Pvt Ltd	46.5%	26.9%	23.3%	11.6%	4.5%	2.7%	15.6	5.3	0.7
Syrma SGS Technology Ltd	12.6%	12.8%	21.6%	6.6%	7.2%	11.1%	51.2	39.4	33.3
VVDN Technologies Pvt Ltd	NA	36.9%	(23.0)%	NA	7.1%	(4.1)%	NA	119.4	73.7
Sanmina-SCI Technology India Pvt Ltd	7.1%	10.4%	10.4%	6.2%	9.5%	9.5%	24.3	22.5	20.1

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2022)

Name of the Company	Face Value	Closing Price*	Total Income for fiscal 2022 (₹ Cr)	EPS		Market Cap/Revenue	EV/EBITDA	ROE (%)	ROCE (%)	NAV	P/E	RoNW (%)
				Basic	Diluted							
Kaynes Technology India Ltd	10	NA	710.35	9.70	8.93	NA	NA	24.5	24.44	43.12	[•]	20.54
Syrma SGS Technology Ltd	10	275.75	1,284.37	5.25	5.17	3.78	34.91	12.6	15.3	51.2	63.56	13.58
Dixon Technologies Ltd	2	4,409.15	10,700.89	32.31	32.00	2.45	69.77	19.1	20.5	169.3	137.49	21.90
Amber Enterprises India Ltd	10	2,039.35	4,239.63	32.41	32.41	1.62	26.72	6.3	7.0	526.2	61.72	6.42

Source: RHP; All the financial information of the company and listed industry peers mentioned above is on a consolidated basis. Closing NSE price of these equity shares as on October 27, 2022.

The presence of listed industry peers across different segments of operations

Name of the ESDM Company	Mob ile Pho nes	CEA	Automotive	Indus trial	Telec om	A& D	IT	Medi cal	Rail way	Othe rs
Kaynes Technology India Ltd	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Syrma SGS Technology Ltd	-	Yes	Yes	Yes	Yes	-	-	Yes	-	Yes
Dixon Technologies Ltd	Yes	Yes	-	-	-	-	-	Yes	-	Yes
Amber Enterprises India Ltd	-	Yes	-	-	-	-	-	-	Yes	Yes

CEA – Consumer electronics and appliances; A&D – Aerospace & Defence; Others includes Energy, Power, Lighting etc; IoT is a part of CEA segment

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