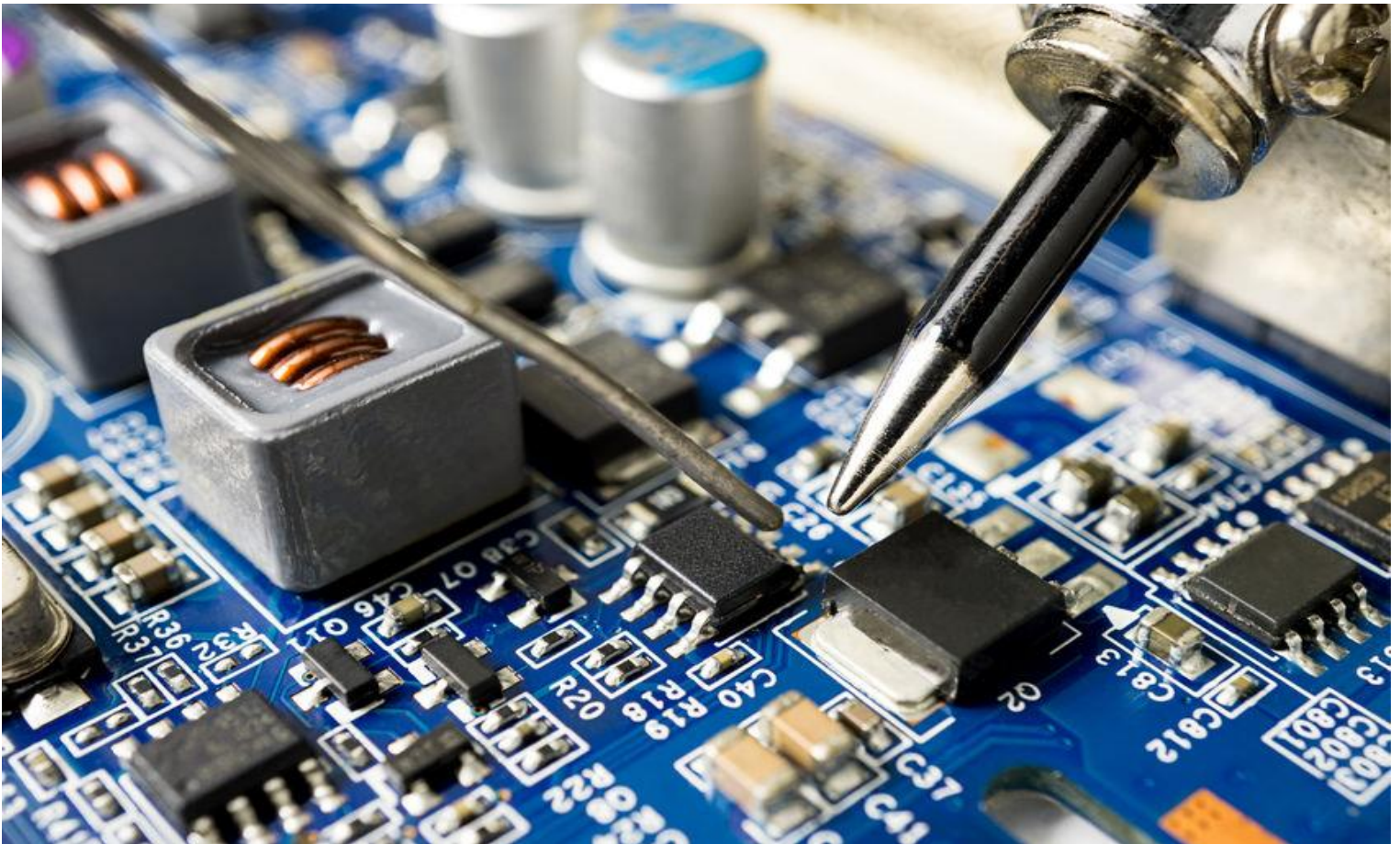


Kaynes Technology India Ltd

Sector tailwinds and diversification to propel growth



Kyon ki bhaiya, sabse bada rupaiya.

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SUBSCRIBE at the Upper Price Band of INR 587

Sector tailwinds and diversification to propel growth

Incorporated in 2008, Kaynes Technology India Ltd (KTIL) is a leading end-to-end and IoT solutions-enabled integrated electronics manufacturing company. KTIL provides 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, IoT, IT/ITES and other segments. The company's operations are classified under the following business verticals:

- **OEM - Turnkey Solutions - Box Build**, under which the company offers complete 'Build To Print' or 'Build to Specifications' of complex Box Builds, subsystems and products in the defence and aerospace, transportation, healthcare, IT and industrial verticals.
- **OEM - Turnkey Solutions - PCBA**, under which the company provides end-to-end turnkey solutions in the manufacturing of PCBA.
- **ODM**, under which the company provides ODM services for smart metering technology, smart street lighting, and brushless DC technology.
- **Product Engineering and IoT Solutions**, under which the company offers conceptual design and product engineering services in the industrial and consumer segments.

KTIL operates 8 manufacturing facilities across India in the states of Karnataka, Haryana, Himachal Pradesh, Tamil Nadu, Uttarakhand, Kerala and Maharashtra.

KTIL's proposed issue size is INR 858 cr out of which INR 530 cr is a fresh issue and INR 328 cr is OFS. The proposed fresh issue will be utilized for

- The repayment of INR 130 cr of debt in FY23
- The capex requirements of INR 100 cr towards the expansion of the existing facility at Mysuru and INR 150 cr toward a new facility in Chamrajnagar (through a wholly owned subsidiary Kaynes Electronic Manufacturing)
- Funding working capital requirement of INR 115 cr
- General corporate purposes to the extent of INR 35 cr

Through the OFS, the promoters are selling 5,584,664 shares, which will reduce the promoter stake from 79.8% (pre-issue) to 63.8% (post-issue).

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY21	420.6	40.9	8.8	9.7	2.1	1.5	24.0	6.4	11.7	385.9	24.5	86.5
FY22	706.3	93.7	41.3	13.3	5.8	7.1	35.0	20.4	23.0	82.7	16.8	38.0
FY23E	1,167.8	141.2	75.6	12.1	6.5	13.0	161.6	8.1	28.5	45.1	3.6	20.5
FY24E	1,359.0	172.5	113.6	12.7	8.4	19.5	180.6	10.8	23.4	30.0	3.2	17.1
FY25E	1,559.0	199.5	130.8	12.8	8.4	22.5	202.0	11.1	28.9	26.1	2.9	14.0

Industry	EMS
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Issue Details

Listing	BSE & NSE
Open Date	10 th Nov 2022
Close Date	14 th Nov 2022
Price Band	INR 559-587
Face Value	INR 10
Market Lot	25 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	38%
Fresh Issue	62%
Issue Size (Amt)	INR 858 cr
Issue Size (Shares)	14,613,624
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	49,113,536
Post issue sh (nos)	58,142,497
Post issue M Cap	INR 3,413 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	79.8	63.8
Institution	20.2	23.6
Public	0.0	12.6
TOTAL	100	100

Over FY19-22, KTIL's revenue/ EBITDA/ net profit grew at a CAGR of 24.7%/ 36.6%/ 62.0% to INR 706 cr/ INR 94 cr/ INR 41 cr, respectively, while, EBITDA and net margins improved by 316bps (to 13.3%) and 318bps (to 5.8%), respectively.

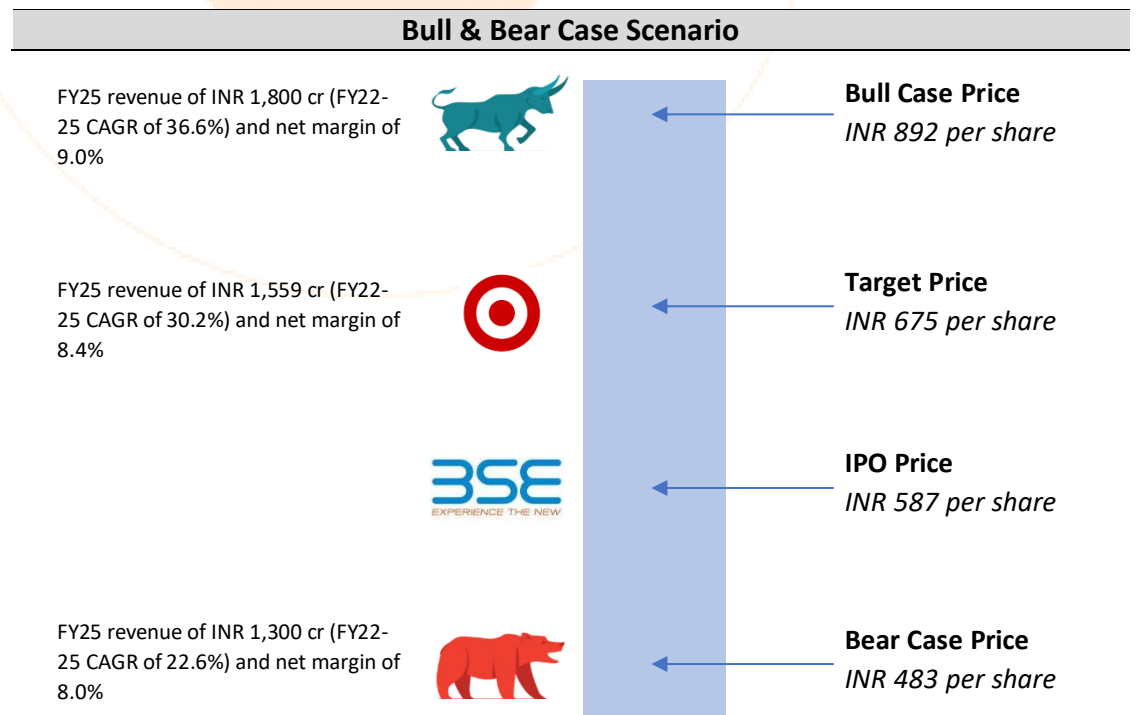
KTIL has shared the tentative trade receivable amount and debtor days for FY23 and FY24 in their RHP. Based on the given data, our back-of-the-envelope calculations suggests that KTIL's revenue is expected to grow at a CAGR of 30.2% to INR 1,559 cr by FY25. EBITDA and net profit are expected to grow at a CAGR of 28.7% to INR 200 cr and 46.9% to INR 131 cr respectively. We are expecting EBITDA margins to decline by 47bps to 12.8% due to input cost pressure, while net margins are expected to improve by 255bps to 8.4% due to the repayment of debt from IPO proceeds.

At the IPO price of INR 587 (upper price band), KTIL is valued at FY25 P/E of 26.1X. Considering the growth opportunities in the EMS sector due to sector tailwinds and strong fundamentals of KTIL, we recommend a SUBSCRIBE rating with a price target of INR 675 (30X FY25 P/E), which represents an upside of 15.0% over the IPO price in 18 months.

Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario based on KTIL FY25 revenues, net margins & P/E valuation.

- **Bull Case:** We have assumed FY25 revenues of INR 1,800 cr (FY22-25 CAGR of 36.6%), net margin of 9.0% and FY25 P/E of 32X, which will result in a Bull Case price target of INR 892 per share (an upside of 51.9% from IPO price).
- **Bear Case:** We have assumed FY25 revenues of INR 1,300 cr (FY22-25 CAGR of 22.6%) and net margin of 8.0% and FY25 P/E of 27X, which will result in a Bear Case price target of INR 483 per share (a downside of 17.7% from IPO price).

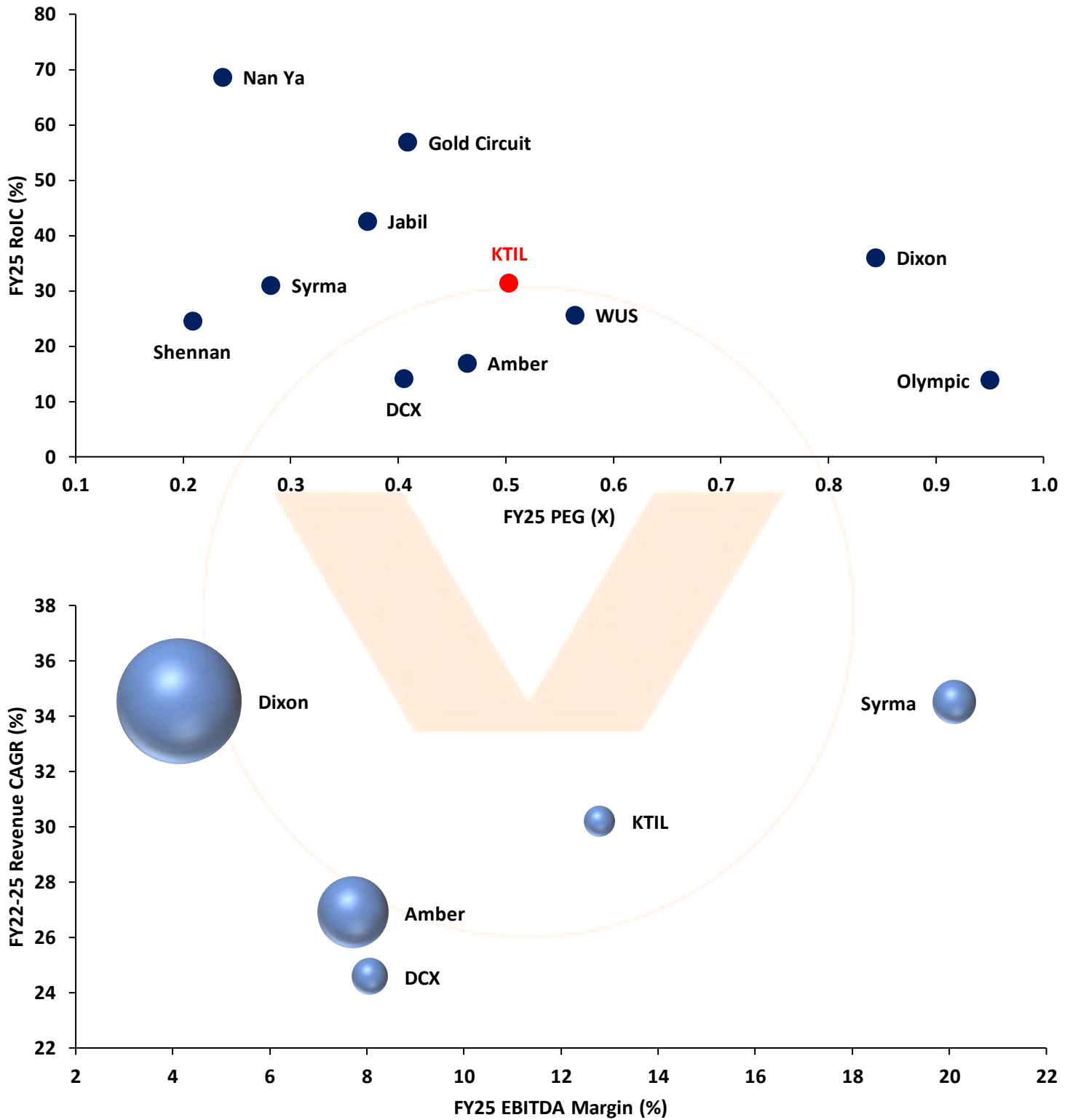


Valuation and comparable metric of domestic and international peers

				P/E Ratio			P/BV			EV/EBIDTA			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
Company Name	Mkt Cap	Price	PEG 2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Domestic Peers (fig in INR cr, unless specified)																											
Kaynes Technologies India Ltd	3,413	587.0	0.6	45.1	30.0	26.1	3.6	3.2	2.9	20.5	17.1	14.0	8.0	10.8	11.1	28.5	23.4	28.9	1,167.8	1,359.0	1,559.0	12.1	12.7	12.8	6.5	8.4	8.4
Amber Enterprises India Ltd	6,803	2,019.1	0.5	42.2	26.8	20.7	3.6	3.2	2.8	19.1	13.7	11.2	8.5	11.9	13.6	10.2	14.7	17.0	5,763.4	7,103.4	8,389.3	6.8	7.6	7.7	2.8	3.6	3.9
Dixon Technologies (India) Ltd	26,966	4,544.3	0.8	81.6	54.1	42.1	20.4	15.1	11.4	44.6	31.6	25.1	25.0	27.9	27.1	36.2	37.0	36.0	15,677.8	21,092.0	26,051.1	3.9	4.1	4.1	2.1	2.4	2.5
Syrma SGS Technology Ltd	5,113	290.2	0.3	19.4	13.2	10.6	3.5	3.1	2.7	13.7	9.9	8.0	17.9	23.2	25.3	28.1	30.8	31.0	1,793.6	2,457.2	3,081.3	19.1	19.9	20.1	14.7	15.7	15.6
DCX Systems Ltd	2,002	207.0	0.4	19.5	14.8	13.1	3.2	2.6	2.2	18.4	14.7	13.0	16.5	18.0	16.8	12.9	14.2	14.2	1,723.6	1,926.4	2,131.0	7.3	8.0	8.1	6.0	7.0	7.2
Global Peers (fig in US\$ mn, unless specified)																											
WUS Printed Circuit Kushan	3,276	1.7	0.6	18.5	14.2	11.4	2.9	2.5	2.2	12.1	9.4	7.8	15.9	17.9	18.9	19.5	23.9	25.6	1,125.7	1,370.9	1,638.3	23.4	23.7	23.6	15.7	16.9	17.5
NanYa PCB Corp	4,761	7.4	0.2	8.1	7.8	6.2	3.0	2.5	2.1	5.1	4.4	3.3	37.1	31.9	33.1	63.7	58.0	68.7	1,982.1	2,199.6	2,570.2	42.4	43.4	45.2	29.6	27.6	29.7
Jabil Inc	8,556	63.6	0.4	8.6	7.5	7.2	3.5	2.8	2.4	4.4	3.8	3.4	40.9	37.5	33.1	29.7	40.7	42.6	33,478.0	34,517.4	35,507.1	7.4	7.3	7.3	3.0	3.3	3.3
Gold Circuit Electronics	1,422	2.9	0.4	9.9	8.3	8.0	3.3	2.7	2.2	6.3	5.3	4.5	33.2	32.7	27.4	49.4	52.4	56.9	1,002.5	1,088.7	1,176.0	21.8	22.7	22.7	14.3	15.7	15.2
Shenzen Fastprint Circuit Tech	2,727	1.6	0.9	28.7	22.4	17.2	3.9	3.3	2.7	18.7	15.1	12.3	13.5	14.6	15.8	10.9	12.3	13.8	815.7	1,028.9	1,303.6	19.7	19.3	18.7	11.6	11.8	12.2
Olympic Circuit Technology	1,243	2.3	0.2	20.6	14.3	10.9	3.0	2.5	2.1	14.2	11.8	9.9	14.3	17.6	19.2	19.1	23.0	24.6	702.0	849.4	1,011.4	11.8	11.8	11.8	8.6	10.2	11.3
Shennan Circuits	5,358	10.4	1.2	22.8	19.2	15.9	3.4	3.0	2.6	13.3	11.5	9.8	14.9	15.6	16.4	17.6	19.8	21.4	2,124.8	2,457.3	2,878.3	18.8	18.3	18.2	11.0	11.4	11.7

Source: Ventura Research & Bloomberg

A growing company with a well-diversified portfolio at a reasonable valuation



Source: Company Report, Ventura Research, ACE Equity & Bloomberg

Financial Analysis & Projections

FY19-22 Performance: Strong order inflow and industry tailwind improved the revenue and operating performance

During FY19-22, KTIL's revenue grew at a CAGR of 24.7% to INR 706 cr, which was primarily driven by

- 48.9% revenue CAGR in the automotive segment to INR 237 cr.
- 22.0% revenue CAGR in the industrial segment to INR 211 cr.
- 45.3% revenue CAGR in the aerospace & defence segment to INR 18 cr.
- 66.0% revenue CAGR in the medical segment to INR 71 cr.
- 3.7% revenue CAGR in the IoT/IT segment to INR 38 cr.
- 29.7% revenue CAGR in the consumer electronics/appliances segment to INR 59 cr.

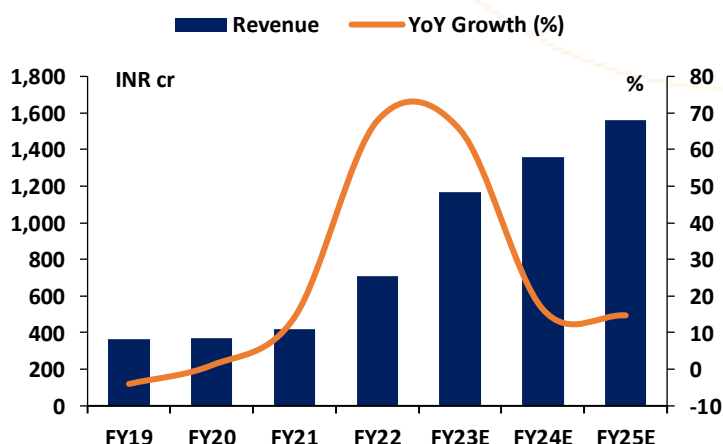
However, the railway segment witnessed a revenue decline of 8.1% CAGR to INR 73 cr.

During FY19-22, KTIL's export revenue grew at a CAGR of 34.7% to INR 141 cr, while domestic revenue grew by 22.6% CAGR to INR 565 cr. The company's total order book grew at a CAGR of 63.0% to INR 1,517 cr during FY19-22, while order book to revenue improved from 1.0X in FY19 to 2.1X in FY22. The company reported an annual execution rate of 51.1%, 38.6% and 31.8% in the year FY20, FY21 and FY22 respectively.

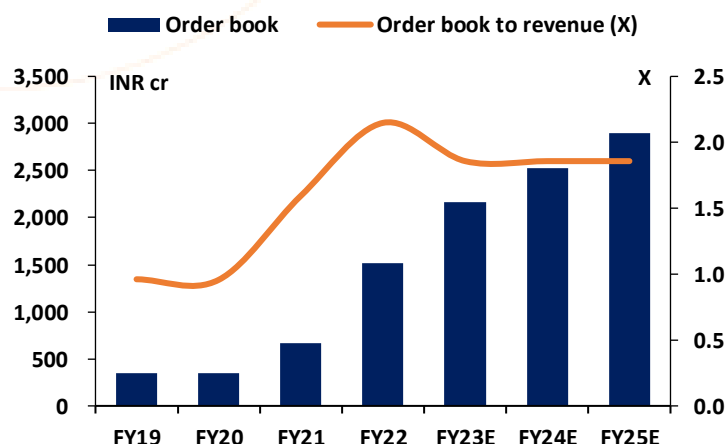
EBITDA and net profit grew at a CAGR of 36.6% to INR 94 cr and 62.0% to INR 41 cr, respectively, while EBITDA and net margins improved by 316bps (to 13.3%) and 318bps (to 5.8%), respectively.

KTIL revenue and order book performance

Sector tailwind and business diversification are driving revenue performance



Order book is expected to remain robust due to business diversification



Source: Company Reports

Q1FY23 Performance: Reported strong recovery in business performance

In Q1FY23, KTIL's revenue stood at INR 199 cr, which was 28.2% of FY22 revenue. Order book grew at a QoQ rate of 49.4% to INR 2,266 cr. EBITDA and net profit stood at INR 25 cr and INR 10 cr, respectively, while EBITDA and net margins were reported as 12.3% (-93bps over FY22) and 4.9% (-91bps over FY22), respectively.

FY22-25E Performance: Strong sector outlook is expected to drive financial performance

The company has shared the tentative trade receivable amount and debtor days for FY23 and FY24 in their RHP. Based on the given data, our back-of-the-envelope calculations suggests that KTIL's revenue is expected to grow at a CAGR of 30.2% to INR 1,559 cr by FY25. At an average order execution rate of 35%, we are expecting the order book to grow at a CAGR of 24.1% to INR 2,895 cr by FY25.

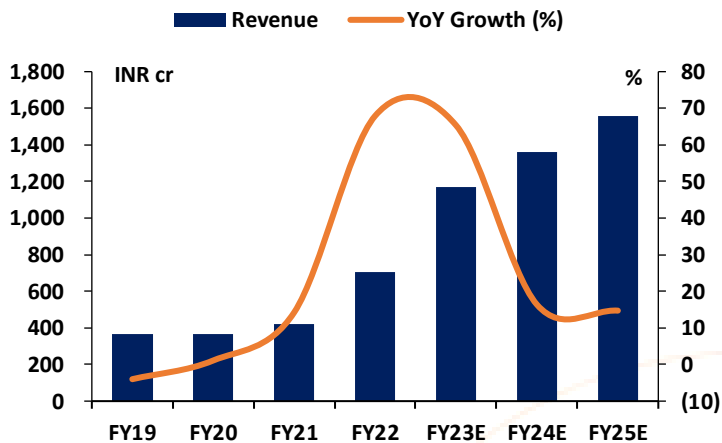
EBITDA and net profit are expected to grow at a CAGR of 28.7% to INR 200 cr and 46.9% to INR 131 cr respectively. EBITDA margins are expected to decline by 47bps to 12.8% due to input cost pressure. Net margins are expected to improve by 255bps to 8.4% due to repayment of debt from IPO proceeds.

KTIL Financial Summary

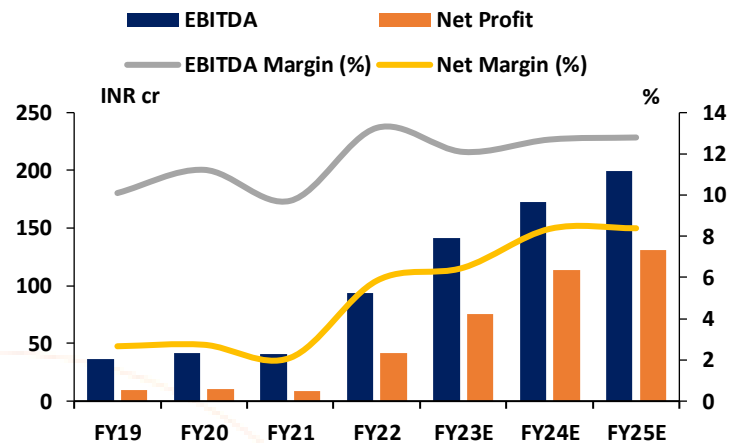
Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Revenue from operations	364.2	368.2	420.6	706.3	1,167.8	1,359.0	1,559.0	1,779.0	2,019.0	2,279.0	2,559.0	2,859.0	3,179.0	3,519.0
YoY Growth (%)		1.1	14.2	67.9	65.4	16.4	14.7	14.1	13.5	12.9	12.3	11.7	11.2	10.7
Raw Material Cost	241.7	241.7	286.1	489.4	823.3	951.3	1,091.3	1,245.3	1,413.3	1,595.3	1,791.3	2,001.3	2,225.3	2,463.3
RM Cost to Sales (%)	66.3	65.6	68.0	69.3	70.5	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0
Employee Cost	43.4	42.4	45.9	60.2	107.4	124.3	141.9	161.0	181.7	204.0	227.7	253.0	279.7	307.9
Employee Cost to Sales (%)	11.9	11.5	10.9	8.5	9.2	9.2	9.1	9.1	9.0	9.0	8.9	8.9	8.8	8.8
Other Expenses	42.4	42.8	47.7	62.9	95.8	110.8	126.4	143.3	161.6	181.3	202.3	224.6	248.1	272.9
Other Expenses to Sales (%)	11.6	11.6	11.3	8.9	8.2	8.2	8.1	8.1	8.0	8.0	7.9	7.9	7.8	7.8
EBITDA	36.8	41.3	40.9	93.7	141.2	172.5	199.5	229.4	262.4	298.4	337.6	380.1	425.8	474.9
EBITDA Margin (%)	10.1	11.2	9.7	13.3	12.1	12.7	12.8	12.9	13.0	13.1	13.2	13.3	13.4	13.5
Net Profit	9.7	10.1	8.8	41.3	75.6	113.6	130.8	155.1	177.6	202.4	229.5	258.9	290.6	324.8
Net Margin (%)	2.7	2.7	2.1	5.8	6.5	8.4	8.4	8.7	8.8	8.9	9.0	9.1	9.1	9.2
Adjusted EPS	1.7	1.7	1.5	7.1	13.0	19.5	22.5	26.7	30.5	34.8	39.5	44.5	50.0	55.9
P/E (X)	351.9	338.8	385.9	82.7	45.1	30.0	26.1	22.0	19.2	16.9	14.9	13.2	11.7	10.5
Adjusted BVPS	16.0	17.7	23.8	34.8	161.4	180.4	201.8	226.5	253.9	284.4	318.0	354.7	394.7	438.0
P/BV (X)	36.8	33.2	24.6	16.8	3.6	3.3	2.9	2.6	2.3	2.1	1.8	1.7	1.5	1.3
Enterprise Value	3,536.2	3,544.5	3,538.2	3,560.9	2,898.0	2,948.6	2,786.3	2,678.2	2,556.3	2,419.5	2,266.9	2,097.8	1,911.4	1,707.0
EV/EBITDA (X)	96.1	85.7	86.5	38.0	20.5	17.1	14.0	11.7	9.7	8.1	6.7	5.5	4.5	3.6
Net Worth	92.7	102.7	138.7	202.6	938.2	1,049.0	1,173.2	1,316.7	1,476.5	1,653.6	1,848.7	2,062.2	2,294.7	2,546.4
Return on Equity (%)	10.5	9.8	6.4	20.4	8.1	10.8	11.1	11.8	12.0	12.2	12.4	12.6	12.7	12.8
Capital Employed	248.4	246.5	278.1	372.1	1,008.2	1,119.0	1,173.2	1,316.7	1,476.5	1,653.6	1,848.7	2,062.2	2,294.7	2,546.4
Return on Capital Employed (%)	9.1	11.1	9.9	15.3	9.0	9.2	10.1	10.3	10.5	10.7	10.8	10.9	11.0	11.0
Invested Capital	216.0	234.2	263.9	350.5	423.3	584.6	546.6	581.9	619.8	660.1	702.6	747.1	793.1	840.5
Return on Invested Capital (%)	14.7	14.1	11.7	23.0	28.5	23.4	28.9	31.2	33.5	35.8	38.0	40.2	42.4	44.6
Cash Flow from Operations	-7.6	45.3	25.6	21.1	81.9	148.0	218.0	170.1	197.3	227.6	261.0	297.6	337.5	380.8
Cash Flow from Investing	-40.9	-9.9	-24.1	-44.5	-67.4	-185.2	-43.1	-48.9	-55.2	-62.0	-69.3	-77.2	-85.5	-94.4
Cash Flow from Financing	48.6	-35.4	0.8	27.2	539.2	-17.4	-86.8	-17.7	-25.2	-34.2	-45.0	-57.6	-72.2	-89.2
Net Cash Flow	0.1	-0.1	2.3	3.8	553.7	-54.6	88.1	103.5	117.0	131.4	146.7	162.9	179.7	197.3
Free Cash Flow	-18.1	14.0	0.6	-21.1	15.7	-34.0	178.0	124.4	145.5	169.1	195.3	224.3	256.0	290.5
CFO to EBITDA (%)	-20.6	109.5	62.6	22.5	58.0	85.8	109.3	74.1	75.2	76.3	77.3	78.3	79.3	80.2
FCF to Net Profit (%)	-186.8	139.3	6.8	-51.2	20.7	-29.9	136.1	80.2	81.9	83.6	85.1	86.6	88.1	89.5
Total Debt	155.6	143.8	139.5	169.5	70.0	70.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	123.3	131.5	125.2	148.0	-514.9	-464.4	-626.6	-734.7	-856.7	-993.5	-1,146.0	-1,315.2	-1,501.6	-1,705.9
Net Debt to Equity (X)	1.3	1.3	0.9	0.7	-0.5	-0.4	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7
Net Debt to EBITDA (X)	3.4	3.2	3.1	1.6	-3.6	-2.7	-3.1	-3.2	-3.3	-3.3	-3.4	-3.5	-3.5	-3.6

Source: Company Reports

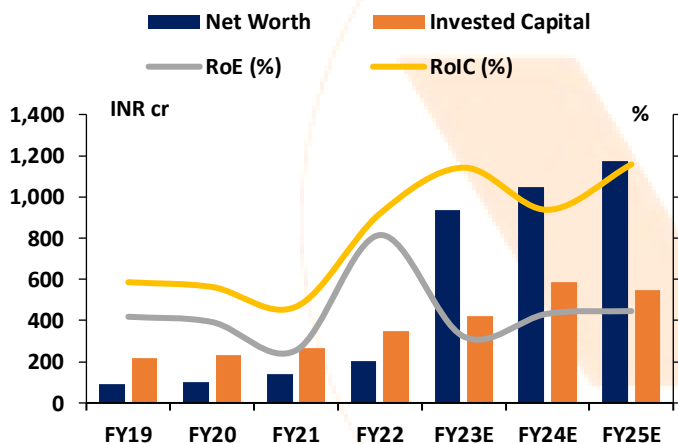
Sector tailwind and business diversification are driving revenue performance



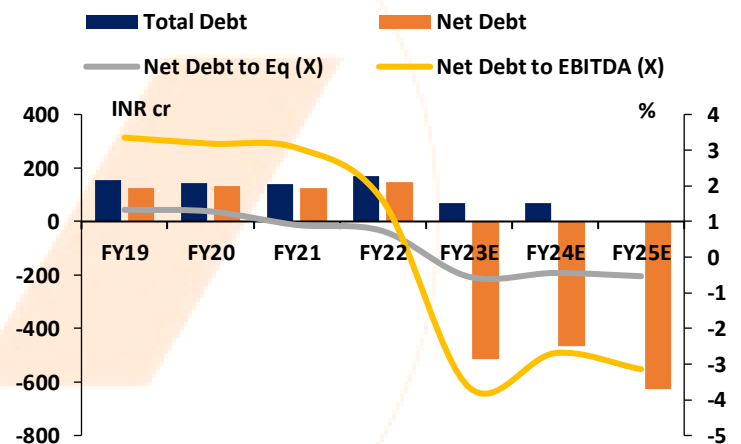
EBITDA remained stable while net margins to improve on debt repayment



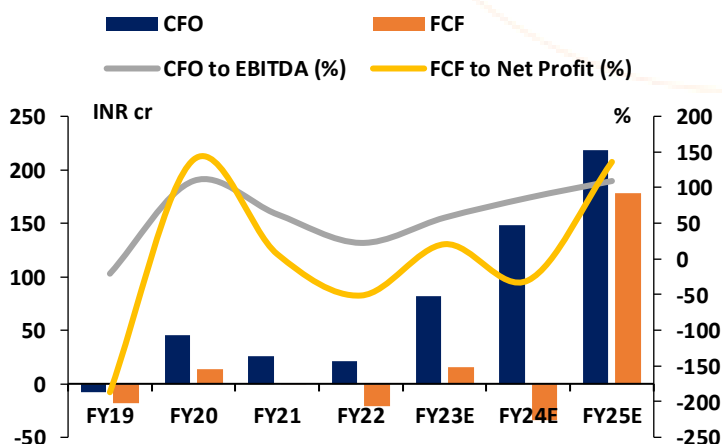
Return ratios to follow profitability in the coming years



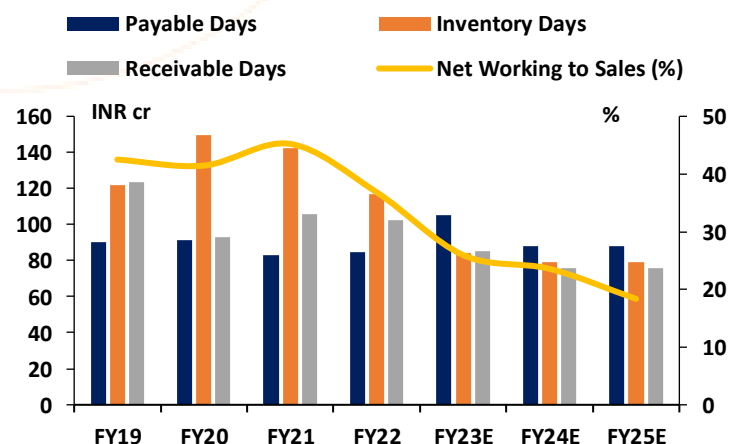
Balance sheet health to improve significantly on debt repayment



Improvement in profitability and debt repayment to increase cash flows



Working cycle to improve due to business diversification



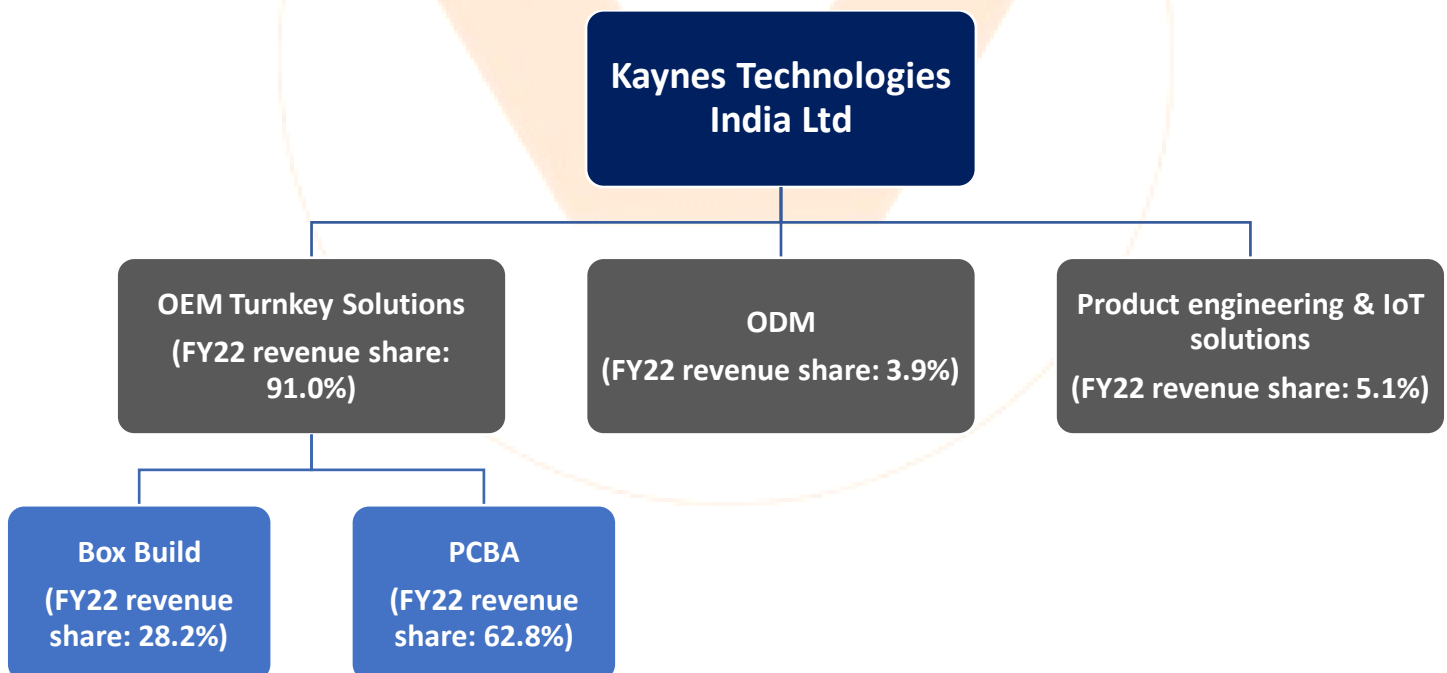
Source: Company Reports

Understanding the business of KTIL

KTIL is a leading end-to-end and IoT solutions-enabled integrated electronics manufacturing company. The company provides 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, IoT, IT/ITES and other segments. The company's operations are classified under the following business verticals:

- **OEM - Turnkey Solutions - Box Build**, under which the company offers complete 'Build To Print' or 'Build to Specifications' of complex Box Builds, subsystems and products in the defence and aerospace, transportation, healthcare, IT and industrial verticals.
- **OEM - Turnkey Solutions - Printed Circuit Board Assemblies**, under which the company provides end-to-end turnkey solutions in the manufacturing of PCB assemblies.
- **ODM**, under which the company ODM services smart metering technology, smart street lighting, and brushless DC technology.
- **Product Engineering and IoT Solutions**, under which the company offers conceptual design and product engineering services in industrial and consumer segments.

KTIL's business structure



Source: Company Reports

KTIL has a wide-ranging product portfolio having applications across industry verticals such as automotive, telecom, aerospace and defence, space, medical, IoT and industrial, each of which is individually growing. The company's diverse portfolio limits its exposure to downturns associated with a particular vertical.

KTIL's key products

Automotive	Industrial	Aerospace, Defense, Outerspace & Nuclear	Medical	Railways	IoT / IT and others*
 Cluster PCBA  Head/Tail/DRL PCBA  Switches PCBA ¹  BCU Master / Slave 	 Smart Energy Meter  Street light controller  Accelerometer  Strain gauge equipment 	 ATE & LRU cable assemblies  Mission Critical Products  Thermal Imaging Systems  Communication Systems 	 Ventilator, Endoscopy cart & ICP sensor module  Smart glucometer  Controller - Dental Chair  Protein & clinical chemistry analyzers 	 On board cubicle  ETCS - cubicle  SDTC Cubicle  SDTC card file 	 Bar code scanner  PLC gateway and Gateway - Asset Condition Monitoring  Vibration, diff air pressure, liquid pressure  Industrial HMI & Tablet 

Source: Company Reports

The company earns a significant portion of its revenue from the automotive and industrial segments (63.4% in FY22). To enhance its presence and diversify its revenue sourcing, the company is acquiring new customers from aerospace/defence, medical, railways, IoT/IT and consumer electronics, which is expected to provide business stability in the coming years.

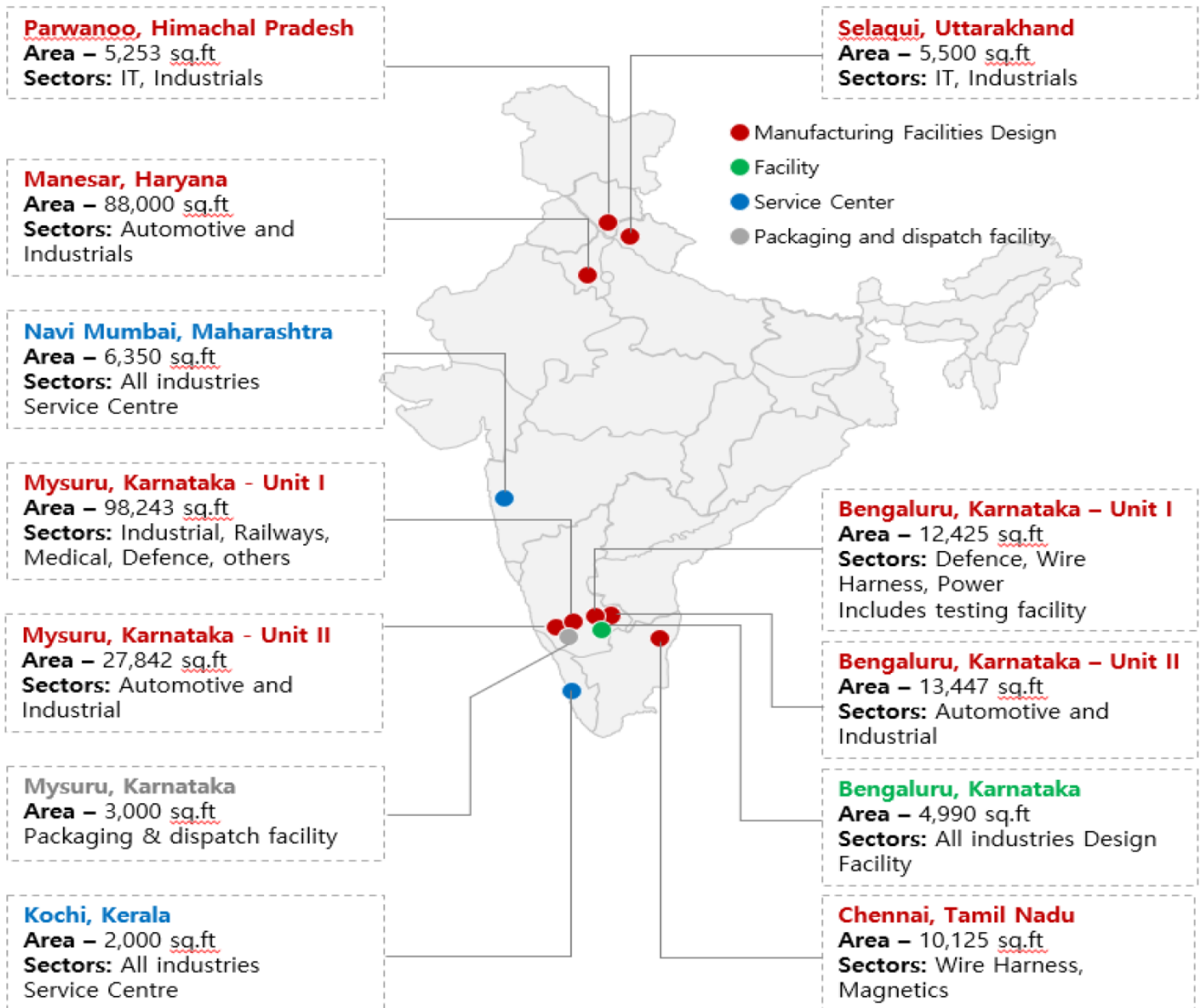
KTIL's segmental performance					
Business verticals	FY19	FY20	FY21	FY22	FY19-22 CAGR (%)
Automotive	71.8	74.7	100.4	237.0	48.9
<i>Share in revenue (%)</i>	<i>19.7</i>	<i>20.3</i>	<i>23.9</i>	<i>33.6</i>	
Industrial	116.0	117.8	139.4	210.5	22.0
<i>Share in revenue (%)</i>	<i>31.9</i>	<i>32.0</i>	<i>33.1</i>	<i>29.8</i>	
Aerospace & Defence	5.8	20.0	13.6	17.8	45.3
<i>Share in revenue (%)</i>	<i>1.6</i>	<i>5.4</i>	<i>3.2</i>	<i>2.5</i>	
Medical	15.6	23.0	46.2	71.2	66.0
<i>Share in revenue (%)</i>	<i>4.3</i>	<i>6.2</i>	<i>11.0</i>	<i>10.1</i>	
Railways	94.3	63.1	59.6	73.1	-8.1
<i>Share in revenue (%)</i>	<i>25.9</i>	<i>17.1</i>	<i>14.2</i>	<i>10.4</i>	
IoT/IT & others	33.6	40.3	24.7	37.5	3.7
<i>Share in revenue (%)</i>	<i>9.2</i>	<i>10.9</i>	<i>5.9</i>	<i>5.3</i>	
Consumer	27.1	29.3	36.8	59.1	29.7
<i>Share in revenue (%)</i>	<i>7.4</i>	<i>8.0</i>	<i>8.7</i>	<i>8.4</i>	
TOTAL	364.2	368.2	420.6	706.2	24.7

Source: Company Reports

KTIL manufacturing locations

KTIL operates 8 manufacturing facilities across India in the states of Karnataka, Haryana, Himachal Pradesh, Tamil Nadu, Uttarakhand, Kerala and Maharashtra.

KTIL manufacturing facilities



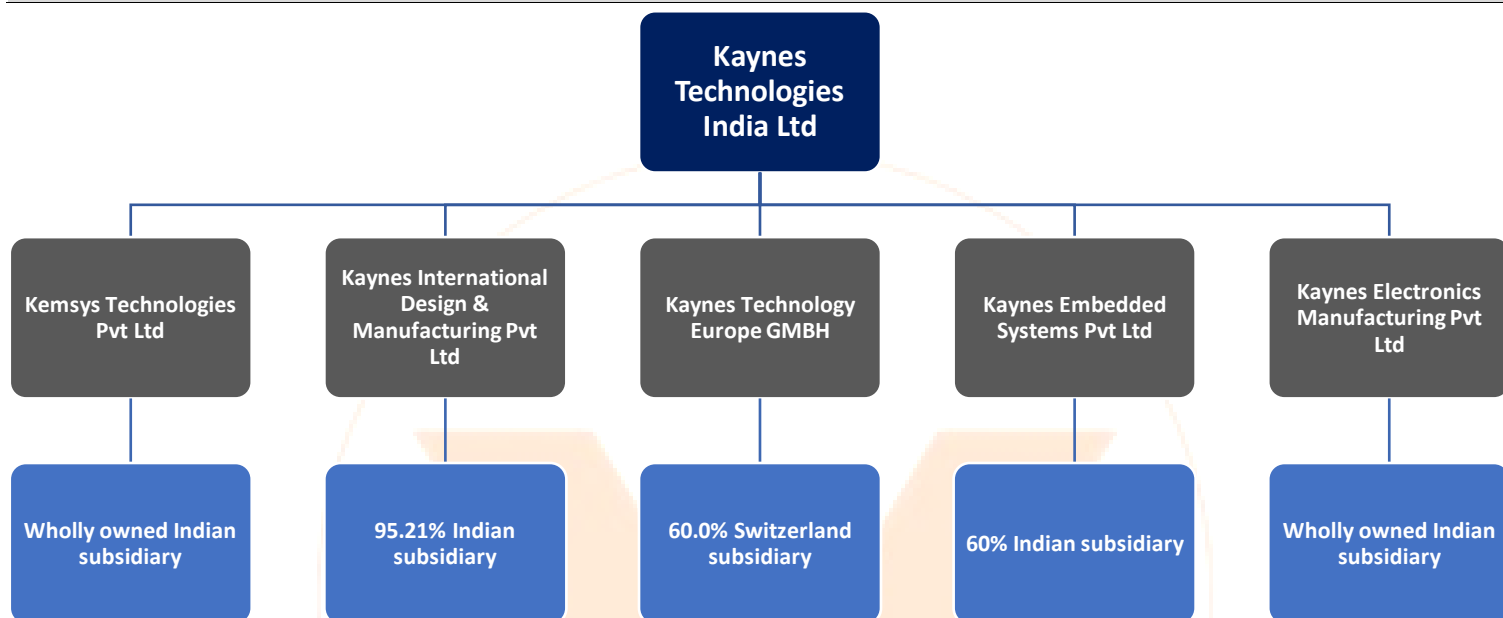
Source: Company Reports

KTIL's Karnataka facility is approved under the Electronics Hardware Technology Park Scheme (EHTPS) of the Software Technology Park of India (STPI) and its Tamil Nadu facility is approved under the 100% Export Oriented Unit Scheme (EOUS) of Madras Export Processing Zone (MEPZ). Both the schemes in Karnataka and Tamil Nadu offer incentives similar to SEZs.

Strategic subsidiaries to support business growth

KTIL has 5 subsidiaries to support its business growth in domestic as well as international markets. These subsidiaries are engaged in the business of IT/ITES, engineering services, solutions and other related services for companies engaged in the fields of telecom, defence automotive, embedded technology, and product engineering.

KTIL subsidiary structure



Source: Company Reports

KTIL subsidiary business information

Subsidiary Name	Operations	FY22 revenue share (%)
Kemsys Technologies Pvt Ltd	It provides IoT solutions such as sensors and IO, edge processing, connectivity and monitoring solutions through device engineering, digital engineering, manufacturing and firmware engineering.	0.7
Kaynes International Design & Manufacturing Pvt Ltd	It is involved in end-to-end procurement, assembly, manufacturing and testing of HVAC controllers.	4.7
Kaynes Technology Europe GMBH	It is engaged in consultancy and sales of manufacturing services and related technical services for the electronic manufacturing services industry.	0.2
Kaynes Embedded Systems Pvt Ltd	Currently, there are no business operations. It was incorporated for dealing in embedded computer software technology (incl. CAD/CAM design, manufacturing and telecom) and to install allied equipment to conduct bureau of computer service.	0.0
Kaynes Electronics Manufacturing Pvt Ltd	Currently, there are no business operations. KTIL intends to set up a new facility at Chamarajanagar, Karnataka under this subsidiary	0.0

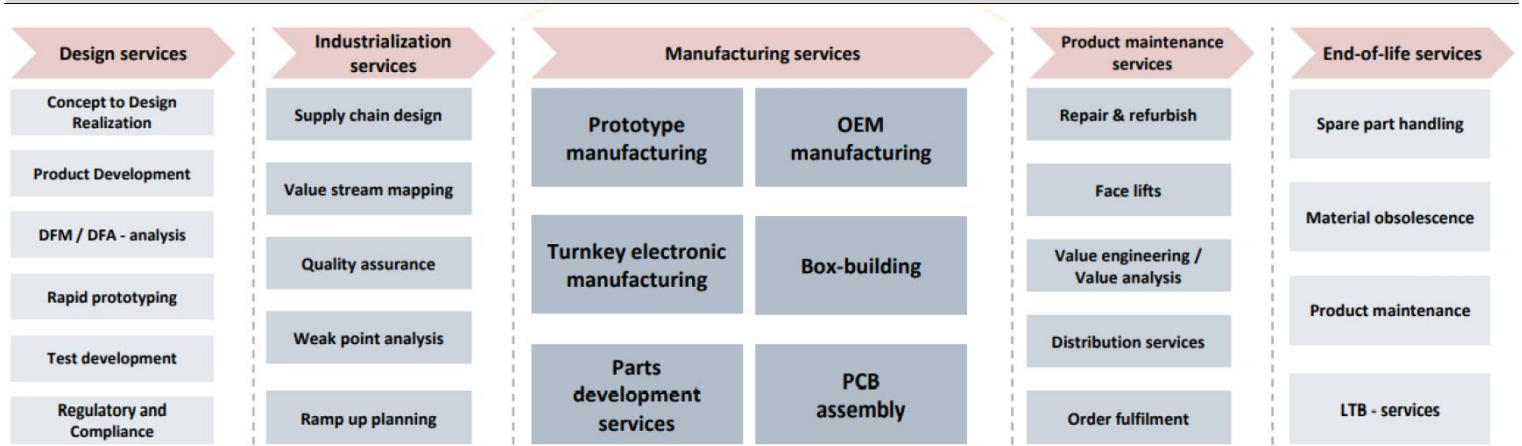
Source: Company Reports

Key strengths of KTIL

IoT solution enabled integrated electronics manufacturing player with end-to-end capabilities across the ESDM spectrum

KTIL is a leading end-to-end and IoT solutions-enabled integrated electronics manufacturing player, engaged in concept co-creation with the customers followed by product realization and life-cycle support. The company also provides various value-added services such as obsolescence management, warehousing support, value engineering and value analysis. KTIL has expertise in sourcing/providing those electronic components that are either being discontinued or have been discontinued in larger quantities.

KTIL's service offerings span the entire customer value chain



Source: Company Reports

The key capabilities are as below:

- **Platform:** KTIL 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:** KTIL offers IoT solutions in vertical applications for asset tracking, asset performance monitoring, and predictive maintenance solutions targeting industrial OEMs both in the Asia Pacific region, and the USA.
- **Devices:** KTIL has built IoT ODM products including sensors, gateways, HMIs, and connectivity modules targeting the industrial and consumer IoT market.

A diversified business model with portfolio having applications across industry verticals

KTIL has a wide-ranging product portfolio having applications across industry verticals such as automotive, telecom, aerospace and defence, space, medical, IoT and industrial, each of which is individually growing. The company's diverse portfolio limits its exposure to downturns associated with a particular vertical.

A well-diversified customer base of KTIL

Industries	No of domestic customers	No of international customers	Avg years of relations with Top 10 clients	FY22 revenue share (%)
Automotive	45	2	5.2	33.6
Industrial	105	21	8.8	29.8
Aerospace, Defence, outer space & nuclear	10	2	7.0	2.5
Medical	15	5	6.3	10.1
Railways	13	1	8.8	10.4
IoT/ IT/ ITES	6	5	7.4	5.3
Consumer	6	0	3.7	8.4

Source: Company Reports

KTIL has a diversified customer base and the company serves over 200 domestic and 36 international clients in 21 countries. KTIL's customers span multiple sectors, ranging from electronics to automotive, to healthcare, industrial and IoT. The company has a balanced mix of domestic and international customers including certain Fortune 500 companies, multinational corporations and start-ups.

KTIL's service offerings span the entire customer value chain

Peer Companies	Mobile Phones	Consumer Electronic/ Appliances	Automotive	Industrial	Telecom	Aerospace & Defence	IT	Medical	Railway	Others
Kaynes Technologies		✓	✓	✓	✓	✓	✓	✓	✓	✓
Bharat FIH	✓	✓	✓		✓	✓	✓			✓
Dixon Technologies	✓	✓						✓		✓
Amber Enterprises		✓							✓	✓
SFO Technologies			✓	✓	✓	✓		✓		✓
Syrma SGS		✓	✓	✓	✓			✓		✓
Elin Electronics		✓								✓
Avalon Technologies			✓	✓	✓	✓		✓	✓	✓
DCX Systems						✓			✓	

Source: Company Reports

Global certifications for each industry vertical

Over the years, KTIL has focused on creating robust manufacturing systems and processes. The company adheres to global standards and has obtained various global certifications, few important certifications are –

- Certification of **Maruti Center For Excellence (MACE)**, which enabled the company to upgrade its product quality and technology at an optimum cost.
- Qualified as a 'Green' partner for a certain customer and accredited for electronic assemblies for spacecraft applications from **U.R. Rao Satellite Centre, ISRO**.
- Certification of **Military Airworthiness** documents or **CEMILAC** for instrumentation electronics repair, which enables them to perform avionics repair.
- Certification from the **Center for Design and Development of Chittaranjan Locomotive Works** of the Indian Railways for the repair and rehabilitation of 3-phase locomotives.

KITL's future strategies

Focus on full product/box build capabilities

As an ESDM player KTIL caters to OEMs through an in-house build of test fixtures, provides product reliability at closer proximity with faster turn-around time, delivers complex prototypes in shorter lead times and setting up product or box build manufacturing with zero defects, which ensures more customers with larger revenue share.

As an integrated manufacturing player, KTIL is providing almost all the services in-house from electronics to tooling, sheet metal, magnetics, and cable harness. To fulfil this aspect of integrated manufacturing, the company's new plant at Chamarajanagar, Karnataka is being prepared with integrated in-house and onsite infrastructure with specialized skills to do complete product or Box Build.

As an ODM, KTIL is responsible for products they manufacture, from the 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, and recurring business with high customer retention, as compared to the OEM model.

To enhance its production scale in key products, KTL intends to deploy up to INR 248 cr from the IPO net proceeds to

- Fund capex towards upgrading and expanding their existing facility at Mysuru, Karnataka – Unit - I, and near their existing facility at Manesar, Haryana, and
- 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

KTIL intends to leverage the experience and capabilities of its in-house design and research and development team to further its ODM capabilities. ODM services allow them to design and develop a product for a customer as per stated specifications and features. The company is increasing its product design competency in the chosen areas of technological competency and trying to introduce newer applications with an increased focus on developing collaboration with chip manufacturers and building stronger teams 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, KTIL's design, research and development team comprised 19 employees and has the capability to provide end-to-end support.

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

Focus on expansion across each vertical to capitalize on industry opportunity

KTIL 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 procurement of state-of-the-art electronic equipment and technology. KTIL 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 is expected to accelerate the growth of ESDM revenue from this vertical. KTIL has established itself 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 systems and electronic drives.
- **Healthcare:** KTIL has been associated with several medical startups, where the biggest challenge is taking the idea from a concept stage to complete product realization. In its 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 its 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 Solutions:** 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. KTIP intends to expand its ODM products under its current KPTR, KemPaas and KemSight platforms, build capabilities across communication technologies and develop communication modules for smart meters.
- **Railways:** There are currently several global OEMs in signalling innovations and the Indian market is controlled by global OEMs. Kaynes works with most of the major global OEMs. KTIL intend to tap into the installation and maintenance of electronics equipment and branch out to traction electronics, onboard 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, and 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.

Further improve operational efficiency through backward integration of manufacturing facilities

To improve operational efficiency, KTIL intends to implement comprehensive backward integration measures by manufacturing in-house components such as bare printed circuit boards and get into deep competencies in the 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 3rd 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. The company has received approval under the Production Linked Incentive Scheme for White Goods (AC & LED Lights whereby they have committed to invest INR 50 cr. In addition, their Subsidiary, Kaynes International Design and Manufacturing Pvt Ltd has applied to the Scheme Design Led Manufacturing of Telecom and Networking Equipments which is under consideration.

KTIL intends to pursue inorganic growth opportunities through selective strategic acquisitions to complement the scale of its 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.

Management Team

Key Person	Designation	Details
Mr Ramesh Kunhikannan	Promoter & MD	He has been associated with KTIL since incorporation. He holds a bachelor's degree in electrical engineering from National Institute of Engineering, Mysore. He has over 33 years of experience in the electronic manufacturing services industry.
Mrs Savitha Ramesh	Promoter, Chairperson & Whole-time Director	She has been associated with KTIL since incorporation. She holds a bachelor's degree in commerce from the University of Madras. She has over 25 years of experience in electronic manufacturing services industry.
Mr Jairam Paravastu Sampath	Whole-time Director & CFO	He has been associated with KTIL since 2011. He holds a BTech degree in mechanical engineering from the IIT Madras and a PGDM from the IIM, Ahmedabad. He has over 30 years of experience in manufacturing, operations, sales and marketing.
Mr Rajesh Sharma	CEO	He has been a part of KTIL since Dec 20, 2021. He holds a bachelor's degree in commerce from Bangalore University. He is also an associate member of the ICAI. He has over 15 years of experience in accounting and finance.
Mr Sajan Anandaraman	Head of Commercial & Corporate Affairs	He has been associated with KTIL since 1995. He holds a bachelor's degree in electrical & electronics engineering from University of Calicut and has completed executive management program from IIM Bangalore. He has 20 years of experience in business management system & audit, commercial operations, export & import, indirect taxation, MIS and management audit.

Source: Company Reports

Key Risks & Concerns

- India is attracting global EMS companies due to China+1, Make-in-India and geopolitical issues. This is expected to increase the competition in the segment which could create pressure of pricing and market share that may adversely affect our business, prospects, results of operations, cash flows and financial condition of KTIL.
- The company's order book heavily depends on the supply of semi-conductors from overseas market. Though the supply of semiconductors has recovered, any future shortage could impact the order inflow of the company.
- KTIL has executed various agreements with third parties, including in relation to securing contracts and manufacturing of products, which may impose certain obligations on it and the termination of which may adversely affect the business.
- The development of technologically advanced products involves a lengthy and expensive process with uncertain timelines and outcomes. The inability or delay in innovating or developing technologically advanced products could adversely affect business performance of KTIL.

Issue Structure and Offer Details

The proposed issue size of KTIL's IPO is INR 858 cr (INR 530 cr fresh issue and INR 328 cr OFS) and the price band for the issue is in the range of INR 559-587 and the bid lot is 35 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No of shares offered
QIB	Not more than 50%	72,94,035
NIB	Not less than 15%	21,88,211
Retail	Not less than 35%	51,05,825
Employee		25,553
Total		1,46,13,624

Number of shares based on a higher price band of INR 587

Source: Company Reports

Details of the selling shareholders		
Promoters selling shares	Amount offered	No of shares
Ramesh Kunhikannan	Not more than INR 122.4 cr	Upto 2,084,664 Equity Shares
Freny Firoze Irani	Not more than INR 205.5 cr	Upto 3,500,000 Equity Shares
Total	Not more than INR 327.8 cr	Upto 5,584,664 Equity Shares

The amount is based on a higher price band of INR 587

Source: Company Reports

KTIL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E	Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E
Income Statement						Per share data & Yields					
Revenue	420.6	706.3	1,167.8	1,359.0	1,559.0	Adjusted EPS (INR)	1.5	7.1	13.0	19.5	22.5
YoY Growth (%)	14.2	67.9	65.4	16.4	14.7	Adjusted Cash EPS (INR)	3.3	9.4	16.5	25.6	29.6
Raw Material Cost	286.1	489.4	823.3	951.3	1,091.3	Adjusted BVPS (INR)	24.0	35.0	161.6	180.6	202.0
RM Cost to Sales (%)	68.0	69.3	70.5	70.0	70.0	Adjusted CFO per share (INR)	4.4	3.6	14.1	25.5	37.5
Employee Cost	45.9	60.2	107.4	124.3	141.9	CFO Yield (%)	0.8	0.6	2.4	4.3	6.4
Employee Cost to Sales (%)	10.9	8.5	9.2	9.2	9.1	Adjusted FCF per share (INR)	0.1	-3.6	2.7	-5.8	30.6
Other Expenses	47.7	62.9	95.8	110.8	126.4	FCF Yield (%)	0.0	-0.6	0.5	-1.0	5.2
Other Exp to Sales (%)	11.3	8.9	8.2	8.2	8.1	Solvency Ratio (X)					
EBITDA	40.9	93.7	141.2	172.5	199.5	Total Debt to Equity	1.0	0.8	0.1	0.1	0.0
Margin (%)	9.7	13.3	12.1	12.7	12.8	Net Debt to Equity	0.9	0.7	-0.5	-0.4	-0.5
YoY Growth (%)	-1.1	129.0	50.8	22.1	15.6	Net Debt to EBITDA	3.1	1.6	-3.6	-2.7	-3.1
Depreciation & Amortization	10.1	13.2	20.4	35.5	41.3	Return Ratios (%)					
EBIT	30.8	80.5	120.8	137.0	158.2	Return on Equity	6.4	20.4	8.1	10.8	11.1
Margin (%)	7.3	11.4	10.3	10.1	10.1	Return on Capital Employed	9.9	15.3	9.0	9.2	10.1
YoY Growth (%)	-6.5	161.3	50.1	13.4	15.5	Return on Invested Capital	11.7	23.0	28.5	23.4	28.9
Other Income	4.0	4.1	1.4	29.4	26.8	Working Capital Ratios					
Finance Cost	24.0	25.6	21.2	14.5	10.2	Payable Days (Nos)	83	85	105	88	88
Interest Coverage (X)	1.3	3.1	5.7	9.4	15.5	Inventory Days (Nos)	142	117	84	79	79
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	106	102	85	76	76
PBT	10.9	59.0	101.0	151.8	174.8	Net Working Capital Days (Nos)	165	134	64	67	67
Margin (%)	2.6	8.4	8.7	11.2	11.2	Net Working Capital to Sales (%)	45.2	36.8	25.9	23.6	18.4
YoY Growth (%)	-3.6	442.8	71.2	50.3	15.1	Valuation (X)					
Tax Expense	1.1	17.4	25.4	38.2	44.0	P/E	385.9	82.7	45.1	30.0	26.1
Tax Rate (%)	10.5	29.4	25.2	25.2	25.2	P/BV	24.5	16.8	3.6	3.2	2.9
PAT	9.7	41.7	75.6	113.6	130.8	EV/EBITDA	86.5	38.0	20.5	17.1	14.0
Margin (%)	2.3	5.9	6.5	8.4	8.4	EV/Sales	8.4	5.0	2.5	2.2	1.8
YoY Growth (%)	4.1	328.1	81.4	50.3	15.1	Cash Flow Statement					
Min Int/Sh of Assoc	-0.9	-0.4	0.0	0.0	0.0	PBT	10.9	59.0	101.0	151.8	174.8
Net Profit	8.8	41.3	75.6	113.6	130.8	Adjustments	53.4	49.3	49.2	51.7	53.2
Margin (%)	2.1	5.8	6.5	8.4	8.4	Change in Working Capital	-37.5	-69.9	-42.9	-17.3	34.0
YoY Growth (%)	-12.2	366.5	83.2	50.3	15.1	Less: Tax Paid	-1.1	-17.4	-25.4	-38.2	-44.0
Balance Sheet						Cash Flow from Operations	25.6	21.1	81.9	148.0	218.0
Share Capital	7.9	46.5	58.1	58.1	58.1	Net Capital Expenditure	-25.0	-42.2	-66.2	-182.0	-40.0
Total Reserves	131.7	157.2	881.3	992.1	1,116.3	Change in Investments	0.9	-2.3	-1.2	-3.2	-3.1
Shareholders Fund	139.6	203.7	939.5	1,050.2	1,174.5	Cash Flow from Investing	-24.1	-44.5	-67.4	-185.2	-43.1
Long Term Borrowings	17.1	29.3	0.0	0.0	0.0	Change in Borrowings	23.7	52.4	-99.5	0.0	-70.0
Deferred Tax Assets / Liabilities	5.2	6.8	8.0	8.0	8.0	Less: Finance Cost	-24.0	-25.6	-21.2	-14.5	-10.2
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0	Proceeds from Equity	1.1	0.4	660.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	3.2	4.2	7.4	8.6	9.8	Dividend Paid	0.0	0.0	0.0	-2.8	-6.5
Total Liabilities	165.1	243.9	955.0	1,066.9	1,192.4	Cash flow from Financing	0.8	27.2	539.2	-17.4	-86.8
Net Block	72.1	95.3	141.1	287.5	286.2	Net Cash Flow	2.3	3.8	553.7	-54.6	88.1
Capital Work in Progress	1.0	4.4	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under development	11.6	3.9	0.0	0.0	0.0	Opening Balance of Cash	0.7	3.1	6.9	560.6	506.0
Non Current Investments	1.7	1.5	2.2	2.5	2.9	Closing Balance of Cash	3.1	6.9	560.6	506.0	594.1
Long Term Loans & Advances	3.1	5.8	9.6	11.2	12.9						
Other Non Current Assets	2.8	7.0	11.6	13.6	15.6						
Net Current Assets	72.8	126.0	790.4	752.1	874.8						
Total Assets	165.1	243.9	955.0	1,066.9	1,192.4						

Source: Ventura Research

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