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**DCX SYSTEMS LIMITED**  
CORPORATE IDENTITY NUMBER: U31908KA2011PLC061686

| REGISTERED OFFICE AND CORPORATE OFFICE  |   | CONTACT PERSON   | TELEPHONE AND EMAIL  | WEBSITE  |                             |      |      |   |                                   |                                   |
|---|---|--|--|--|-----------------------------|------|------|---|-----------------------------------|-----------------------------------|
| Aerospace SEZ Sector, Plot Numbers 29,30 and 107,<br>Hitech Defence and Aerospace Park,<br>Kavadadasanahalli Village, Devanahalli Taluk,<br>Bengaluru Rural - 562110<br>Karnataka, India  |   | Nagaraj R Dhavaskar<br>Company Secretary, Legal and<br>Compliance Officer      | Tel: +91 80 6711 9555 / 9535<br><br>Email: cs@dexindia.com | www.dcxindia.com   |                             |      |      |   |                                   |                                   |
| <b>PROMOTERS OF OUR COMPANY: Dr. H.S. RAGHAVENDRA RAO, NCBG HOLDINGS INC. AND VNG TECHNOLOGY PRIVATE LIMITED</b>  |   |  |  |  |                             |      |      |   |                                   |                                   |
| DETAILS OF THE OFFER  |   |  |  |  |                             |      |      |   |                                   |                                   |
| TYPE  | FRESH ISSUE SIZE  | OFFER FOR SALE SIZE  | TOTAL OFFER SIZE   | ELIGIBILITY AND RESERVATION  |                             |      |      |   |                                   |                                   |
| Fresh Issue and an Offer for Sale   | Fresh issue of up to [●] Equity Shares aggregating up to ₹ 4,000.00 million | Offer for sale of up to [●] Equity Shares aggregating up to ₹ 1,000.00 million | ₹ 5,000.00 million   | The Offer is being made pursuant to Regulation 6(2) of the SEBI ICDR Regulations, as the Company did not fulfil the requirement under Regulation 6(1)(a) of having monetary assets less than 50% of net tangible assets in each of the preceding three Financial Years.  |                             |      |      |   |                                   |                                   |
| <b>SHARE RESERVATIONS AMONGST QIBS, NIBS AND RIBS</b>   |   |  |  |  |                             |      |      |   |                                   |                                   |
|   |   |  |  | <table border="1"> <thead> <tr> <th>QIBs</th> <th>NIBs</th> <th>RIBs</th> </tr> </thead> <tbody> <tr> <td>At least 75.00% of the Offer (of which up to 60.00% of the QIB Portion shall be available for allocation to Anchor Investors)</td> <td>Not more than 15.00% of the Offer</td> <td>Not more than 10.00% of the Offer</td> </tr> </tbody> </table> | QIBs                        | NIBs | RIBs | At least 75.00% of the Offer (of which up to 60.00% of the QIB Portion shall be available for allocation to Anchor Investors) | Not more than 15.00% of the Offer | Not more than 10.00% of the Offer |
| QIBs  | NIBs  | RIBs   |  |  |                             |      |      |   |                                   |                                   |
| At least 75.00% of the Offer (of which up to 60.00% of the QIB Portion shall be available for allocation to Anchor Investors)   | Not more than 15.00% of the Offer   | Not more than 10.00% of the Offer  |  |  |                             |      |      |   |                                   |                                   |
| OFFER FOR SALE  |   |  |  |  |                             |      |      |   |                                   |                                   |
| NAME OF PROMOTER SELLING SHAREHOLDER  | TYPE  | EQUITY SHARES OFFERED (AMOUNT IN ₹ MILLION)                                    | WEIGHTED AVERAGE COST OF ACQUISITION (IN ₹)                |  |                             |      |      |   |                                   |                                   |
| NCBG HOLDINGS INC.  | Promoter  | [●] Equity Shares aggregating up to ₹ 500.00 million                           | 5.65   |  |                             |      |      |   |                                   |                                   |
| VNG TECHNOLOGY PRIVATE LIMITED  | Promoter  | [●] Equity Shares aggregating up to ₹ 500.00 million                           | 0.50   |  |                             |      |      |   |                                   |                                   |
| RISKS IN RELATION TO THE FIRST OFFER  |   |  |  |  |                             |      |      |   |                                   |                                   |
| The face value of the Equity Shares is ₹ 2.00 per Equity Share. The Floor Price, the Cap Price and the Offer Price (as determined by our Company, in consultation with the BRLMs), on the basis of the assessment of market demand for the Equity Shares by way of the book building process, as stated in "Basis for Offer Price" on page 112, should not be considered to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.  |   |  |  |  |                             |      |      |   |                                   |                                   |
| GENERAL RISK  |   |  |  |  |                             |      |      |   |                                   |                                   |
| Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Offer. For taking an investment decision, investors must rely on their own examination of our Company and the Offer, including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page 27.  |   |  |  |  |                             |      |      |   |                                   |                                   |
| ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY  |   |  |  |  |                             |      |      |   |                                   |                                   |
| Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to our Company and the Offer, which is material in the context of the Offer, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions, misleading in any material respect. Further, each of the Promoter Selling Shareholders, severally and not jointly, accepts responsibility for only such statements specifically confirmed or specifically undertaken by such Promoter Selling Shareholder in this Red Herring Prospectus to the extent such statements specifically pertain to itself and/or its Offered Shares and confirms that such statements are true and correct in all material respects and are not misleading in any material respect. However, none of the Promoter Selling Shareholders assume any responsibility for any other statements, disclosures, or undertakings, including without limitation, any and all of the statements, disclosures or undertakings made by or in relation to our Company, its business, or the other selling shareholders, in this Red Herring Prospectus. |   |  |  |  |                             |      |      |   |                                   |                                   |
| LISTING   |   |  |  |  |                             |      |      |   |                                   |                                   |
| The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the Stock Exchanges being BSE and NSE. For the purposes of the Offer, BSE is the Designated Stock Exchange.  |   |  |  |  |                             |      |      |   |                                   |                                   |
| BOOK RUNNING LEAD MANAGERS  |   |  |  |  |                             |      |      |   |                                   |                                   |
| Name of Book Running Lead Manager and logo  | Contact Person  | Telephone and Email  |  |  |                             |      |      |   |                                   |                                   |
| <br>Edelweiss Financial Services Limited  | Lokesh Shah   | Tel.: +91 22 4009 4400<br>E-mail: dcx.ipo@edelweissfin.com                     |  |  |                             |      |      |   |                                   |                                   |
| <br>Axis Capital Limited  | Pavan Naik  | Tel: +91 22 4325 2183<br>E-mail: dcx.ipo@axiscap.in                            |  |  |                             |      |      |   |                                   |                                   |
| <br>Saffron Capital Advisors Private Limited  | Amit Wagle  | Tel : +91 22-4973 0394<br>E-mail: project.kapila@saffronadvisor.com            |  |  |                             |      |      |   |                                   |                                   |
| REGISTRAR TO THE OFFER  |   |  |  |  |                             |      |      |   |                                   |                                   |
| Name of Registrar   | Contact Person  | Telephone and Email  |  |  |                             |      |      |   |                                   |                                   |
| Link Intime India Private Limited   | Shanti Gopalkrishnan  | Tel: +91 22 4918 6200<br>E-mail: dcxsystems.ipo@linkintime.co.in               |  |  |                             |      |      |   |                                   |                                   |
| BID/OFFER PERIOD  |   |  |  |  |                             |      |      |   |                                   |                                   |
| ANCHOR INVESTOR BID/OFFER PERIOD  | Friday, October 28, 2022*   | BID/OFFER OPENS ON   | Monday, October 31, 2022                                   | BID/OFFER CLOSES ON  | Wednesday, November 2, 2022 |      |      |   |                                   |                                   |

\* Our Company, acting through the IPO Committee may, in consultation with the Book Running Lead Managers, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date.



**DCX SYSTEMS LIMITED**

Our Company was incorporated as “DCX Cable Assemblies Private Limited” on December 16, 2011, at Bengaluru, Karnataka as a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation issued by the Registrar of Companies, Karnataka (“RoC”). Thereafter, the name of our Company was changed to ‘DCX Systems Private Limited’ pursuant to a special resolution dated November 24, 2021, passed by our shareholders and a fresh certificate of incorporation consequent upon change of name issued by the RoC on January 3, 2022. Pursuant to the conversion of our Company to a public limited company, in accordance with the special resolution passed by our Shareholders dated February 2, 2022, the name of our Company was changed to “DCX Systems Limited” and the RoC issued a fresh certificate of incorporation on February 18, 2022. For details of the change in the name and the registered office of our Company, see “History and Certain Corporate Matters” on page 198.

**Corporate Identity Number:** U31908KA2011PLC061686

**Registered and Corporate Office:** Aerospace SEZ Sector, Plot Numbers 29,30 and 107, Hitech Defence and Aerospace Park, Kavadasanahalli Village, Devanahalli Taluk, Bengaluru Rural – 562110 Karnataka, India;  
**Tel:** +91 80 6711 9555

**Contact Person:** Nagaraj R Dhavaskar (Company Secretary, Legal and Compliance Officer) **Tel:** +91 80 6711 9555;  
**E-mail:** cs@dxcindia.com; **Website:** www.dxcindia.com

**PROMOTERS OF OUR COMPANY: Dr. H.S. RAGHAVENDRA RAO, NCBG HOLDINGS INC. AND VNG TECHNOLOGY PRIVATE LIMITED**

**INITIAL PUBLIC OFFERING OF UP TO [•] EQUITY SHARES OF FACE VALUE OF ₹2.00 EACH (“EQUITY SHARES”) OF DCX SYSTEMS LIMITED (OUR “COMPANY” OR THE “COMPANY” OR THE “ISSUER”) FOR CASH AT A PRICE OF ₹[•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [•] PER EQUITY SHARE) (THE “OFFER PRICE”) AGGREGATING UP TO ₹ 5,000.00 MILLION (THE “OFFER”) COMPRISING A FRESH ISSUE OF UP TO [•] EQUITY SHARES BY OUR COMPANY AGGREGATING UP TO ₹ 4,000.00 MILLION (THE “FRESH ISSUE”) AND AN OFFER FOR SALE OF UP TO [•] EQUITY SHARES AGGREGATING UP TO ₹ 1,000.00 MILLION COMPRISING AN OFFER FOR SALE OF UP TO [•] EQUITY SHARES AGGREGATING UP TO ₹ 500.00 MILLION BY NCBG HOLDINGS INC., UP TO [•] EQUITY SHARES AGGREGATING UP TO ₹ 500.00 MILLION BY VNG TECHNOLOGY PRIVATE LIMITED (COLLECTIVELY, THE “PROMOTER SELLING SHAREHOLDERS”, AND EACH INDIVIDUALLY, AS A “PROMOTER SELLING SHAREHOLDER” AND SUCH OFFER FOR SALE OF EQUITY SHARES BY THE PROMOTER SELLING SHAREHOLDERS, THE “OFFER FOR SALE”). THE OFFER SHALL CONSTITUTE [•] % AND [•]%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.**

**THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY, IN CONSULTATION WITH THE BRLMS AND WILL BE ADVERTISED IN ALL EDITIONS OF THE ENGLISH NATIONAL DAILY NEWSPAPER, FINANCIAL EXPRESS, ALL EDITIONS OF THE HINDI NATIONAL DAILY NEWSPAPER, JANSATTA AND THE BANGALORE EDITION OF THE NEWSPAPER VISHWAVANI (WIDELY CIRCULATED KANNADA NEWSPAPER, KANNADA BEING THE REGIONAL LANGUAGE OF KARNATAKA, WHERE THE REGISTERED OFFICE IS LOCATED), EACH WITH WIDE CIRCULATION, AT LEAST TWO WORKING DAYS PRIOR TO THE BID/OFFER OPENING DATE AND SUCH ADVERTISEMENT SHALL BE MADE AVAILABLE TO BSE LIMITED (THE “BSE”) AND NATIONAL STOCK EXCHANGE OF INDIA LIMITED (THE “NSE”, AND TOGETHER WITH THE BSE, THE “STOCK EXCHANGES”) FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES.**

**THE FACE VALUE OF THE EQUITY SHARES IS ₹ 2 EACH AND THE OFFER PRICE IS [•] TIMES THE FACE VALUE OF THE EQUITY SHARES**

In case of a revision in the Price Band, the Bid/Offer Period will be extended for at least three additional Working Days after such revision of the Price Band subject to the Bid/Offer Period not exceeding a total of 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Company may, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers and at the terminals of the other members of the Syndicate and by intimation to the Designated Intermediaries and the Sponsor Banks as required under the SEBI ICDR Regulations.

The Offer is being made through the Book Building Process, in terms of Rule 19(2)(b) of the SCRR read with Regulation 31 of the SEBI ICDR Regulations and in compliance with Regulation 6(2) of the SEBI ICDR Regulations, wherein at least 75.00% of the Offer shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”, the “QIB Portion”), provided that our Company may, in consultation with the BRLMs, allocate up to 60.00% of the QIB Portion to Anchor Investors on a discretionary basis (the “Anchor Investor Portion”), out of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations. In the event of under-subscription or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. Further, 5.00% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the Net QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 5.00% of the QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the remaining QIB Portion for proportionate allocation to QIBs. If at least 75.00% of the Offer cannot be Allotted to QIBs, then the entire application money will be refunded forthwith. Further, not more than 15.00% of the Offer shall be available for allocation to Non-Institutional Bidders, of which (a) one third of such portion shall be reserved for applicants with application size of more than ₹200,000 and up to ₹1,000,000; and (b) two third of such portion shall be reserved for applicants with application size of more than ₹1,000,000, provided that the unsubscribed portion in either of such sub-categories may be allocated to applicants in the other sub-category of non-institutional investors and not more than 10.00% of the Offer shall be available for allocation to Retail Individual Bidders (“RIBs”) in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. All Bidders, other than Anchor Investors, are required to mandatorily utilise the Application Supported by Blocked Amount (“ASBA”) process, providing details of their respective bank accounts (including UPI ID (defined hereinafter) in case of UPI Bidders) in which the Bid Amount will be blocked by the SCSBs or by the Sponsor Banks under the UPI mechanism, as applicable, to participate in the Offer. Anchor Investors are not permitted to participate in the Offer through the ASBA process. For details, see “Offer Procedure” beginning on page 360.

**RISKS IN RELATION TO THE FIRST OFFER**

This being the first public issue of Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is ₹ 2.00 per Equity Share. The Floor Price, the Cap Price and the Offer Price (as determined by our Company, in consultation with the BRLMs), in accordance with the SEBI ICDR Regulations, and as stated in “Basis for Offer Price” on page 112, should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

**GENERAL RISKS**

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Offer. For taking an investment decision, investors must rely on their own examination of our Company and the Offer, including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”), nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to “Risk Factors” on page 27.

**ISSUER’S AND SELLING SHAREHOLDER’S ABSOLUTE RESPONSIBILITY**

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to our Company and the Offer, which is material in the context of the Offer, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions, misleading in any material respect.





Further, each of the Promoter Selling Shareholders, severally and not jointly, accepts responsibility for only such statements specifically confirmed or specifically undertaken by such Promoter Selling Shareholder in this Red Herring Prospectus to the extent such statements specifically pertain to itself and/or its Offered Shares and confirms that such statements are true and correct in all material respects and are not misleading in any material respect. However, none of the Promoter Selling Shareholders assume any responsibility for any other statements, disclosures, or undertakings, including without limitation, any and all of the statements, disclosures or undertakings made by or in relation to our Company, its business, or the other Promoter Selling Shareholders in this Red Herring Prospectus.

**LISTING**

The Equity Shares to be offered through this Red Herring Prospectus are proposed to be listed on the Stock Exchanges. We have received ‘in-principle’ approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters each dated May 23, 2022. For the purpose of the Offer, BSE is the Designated Stock Exchange. A signed copy of this Red Herring Prospectus and the Prospectus shall be filed with the RoC in accordance with Section 26(4) of the Companies Act, 2013. For details of the material contracts and documents available for inspection from the date of this Red Herring Prospectus up to the Bid/Offer Closing Date, see “Material Contracts and Documents for Inspection” on page 422.

**BOOK RUNNING LEAD MANAGERS**

**REGISTRAR TO THE OFFER**

|   |    |    |   |
|--|--|---|--|
| <b>Edelweiss Financial Services Limited</b><br>6 <sup>th</sup> Floor, Edelweiss House<br>Off C.S.T Road, Kalina<br>Mumbai 400 098<br>Maharashtra, India<br><b>Tel:</b> +91 22 4009 4400<br><b>E-mail:</b> dcx.ipo@edelweissfn.com<br><b>Website:</b> www.edelweissfn.com<br><b>Investor Grievance ID:</b> customerservice.mb@edelweissfn.com<br><b>Contact Person:</b> Lokesh Shah<br><b>SEBI Registration Number:</b> INM0000010650 | <b>Axis Capital Limited</b><br>1st floor, Axis House<br>C-2 Wadia International Centre<br>P.B. Marg, Worli<br>Mumbai – 400 025<br>Maharashtra, India<br><b>Tel:</b> +91 22 4325 2183<br><b>E-mail:</b> dcx.ipo@axiscap.in<br><b>Investor grievance e-mail:</b> complaints@axiscap.in<br><b>Website:</b> www.axiscapital.co.in<br><b>Contact person:</b> Pavan Naik<br><b>SEBI Registration No.:</b> INM000012029 | <b>Saffron Capital Advisors Private Limited</b><br>605, 6th floor, Center Point,<br>Andheri Kurla Road, J. B. Nagar,<br>Andheri (East), Mumbai - 400 059,<br>Maharashtra, India<br><b>Tel:</b> 91 22 4973 0394<br><b>E-mail :</b> project.kapila@saffronadvisor.com<br><b>Investor grievance e-mail:</b><br>investorgrievance@saffronadvisor.com<br><b>Website:</b> www.saffronadvisor.com<br><b>Contact Person:</b> Amit Wagle<br><b>SEBI Registration No.:</b> INM000011211 | <b>Link Intime India Private Limited</b><br>C-101, 1 <sup>st</sup> Floor<br>247 Park<br>Lal Bahadur Shastri Marg<br>Vikhroli (West)<br>Mumbai 400 083<br>Maharashtra, India<br><b>Tel:</b> +91 22 4918 6200<br><b>E-mail:</b> dcxsystems.ipo@linkintime.co.in<br><b>Website:</b> www.linkintime.co.in<br><b>Investor Grievance ID:</b><br>dcxsystems.ipo@linkintime.co.in<br><b>Contact Person:</b> Shanti Gopalkrishnan<br><b>SEBI Registration Number:</b><br>INR000004058 |

**BID/OFFER PROGRAMME**

|                            |                                 |                             |                                    |
|----------------------------|---------------------------------|-----------------------------|------------------------------------|
| <b>BID/OFFER OPENS ON*</b> | <b>MONDAY, OCTOBER 31, 2022</b> | <b>BID/OFFER CLOSSES ON</b> | <b>WEDNESDAY, NOVEMBER 2, 2022</b> |
|----------------------------|---------------------------------|-----------------------------|------------------------------------|

\* Our Company, in consultation with the Book Running Lead Managers may consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Offer Opening Date.

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## SECTION I - GENERAL

### DEFINITIONS AND ABBREVIATIONS

*This Red Herring Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, or unless otherwise specified, shall have the meaning as provided below. References to any statute or rules or guidelines or regulations or policies or the Articles of Association or the Memorandum of Association will include any amendments, clarifications, modifications, replacements, or re-enactments thereto, from time to time and any reference to a statutory provision shall include any subordinate legislation made, from time to time, under such provision.*

*In case of any inconsistency between the definitions given below and the definitions contained in the General Information Document (as defined below), the definitions given below shall prevail.*

*Notwithstanding the foregoing, terms in the sections “Statement of Special Tax Benefits”, “Industry Overview”, “Key Regulations and Policies in India”, “Basis for Offer Price”, “History and Certain Corporate Matters”, “Restated Financial Information”, “Outstanding Litigation and Material Developments”, “Main Provisions of Articles of Association” and “Offer Procedure” on pages 115, 119, 191, 112, 198, 233, 333, 382, and 360, respectively, will have the meaning ascribed to such terms in these respective sections.*

*The words and expressions used but not defined in this Red Herring Prospectus will have the same meaning as assigned to such terms under the Companies Act, 2013, the SEBI Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act and the rules and regulations made thereunder.*

#### General Terms

| Term                                    | Description   |
|---|---|
| the Company, our Company, or the Issuer | DCX Systems Limited, incorporated under the Companies Act, 1956 and having its registered office and corporate office at Aerospace SEZ Sector, Plot Numbers 29,30 and 107, Hitech Defence and Aerospace Park, Kavadasanahalli Village, Devanahalli Taluk, Bengaluru Rural – 562 110, Karnataka, India |
| We / Us / Our                           | Unless otherwise stated or the context otherwise requires, our Company together with our Subsidiary.  |

#### Company related terms

| Term  | Description  |
|---|--|
| Articles of Association or AoA                  | The articles of association of our Company, as amended   |
| Audit Committee                                 | The audit committee of our Board, as described in “ <i>Our Management</i> ” on page 212  |
| Auditors or Statutory Auditors                  | The current statutory auditors of our Company, M/s NBS & Co., Chartered Accountants  |
| Board or Board of Directors                     | The board of directors of our Company (including any duly constituted committee thereof). For details, see “ <i>Our Management</i> ” on page 205   |
| “Chairman and Managing Director”                | The Chairman and Managing Director of our Company, being Dr. H.S. Raghavendra Rao  |
| Chief Financial Officer or CFO                  | The chief financial officer of our Company, Ranga KS. For details, see “ <i>Our Management</i> ” on page 220   |
| Company Secretary, Legal and Compliance Officer | The company secretary and compliance officer of our Company appointed in relation to the Offer, Nagaraj R Dhavaskar. For details, see “ <i>Our Management</i> ” on page 220  |
| Corporate Promoters                             | NCBG Holdings Inc. and VNG Technology Private Limited  |
| Corporate Social Responsibility Committee       | The corporate social responsibility committee of our Board constituted in accordance with the Companies Act, 2013. For details, see “ <i>Our Management</i> ” on page 217  |
| Director(s)                                     | The director(s) on our Board. For details, see “ <i>Our Management</i> ” on page 205   |
| Equity Shares                                   | The equity shares of our Company of a face value of ₹ 2 each   |
| Executive Directors                             | Executive director(s) of our Company. For further details of the Executive Directors, see “ <i>Our Management</i> ” on page 208  |
| Group Companies                                 | In terms of Regulation 2(1)(t) of the SEBI ICDR Regulations, the term “group companies” includes companies with which there were related party transactions as per Ind AS 24, and any other companies as considered material by the Board, in accordance with the resolution dated March 21, 2022, passed by the Board |
| Independent Director(s)                         | Independent director(s) on the Board and eligible to be appointed as independent director(s) under the provisions of the Companies Act, 2013 and the SEBI Listing Regulations. For details of the Independent Directors, see “ <i>Our Management</i> ” on page 206   |
| Individual Promoter                             | Dr. H.S. Raghavendra Rao   |

| <b>Term</b>                            | <b>Description</b>   |
|--|--|
| IPO Committee                          | A duly constituted committee of the Board in relation to the Offer   |
| Key Managerial Personnel or KMP        | The key managerial personnel of our Company in terms of Regulation 2(1) (bb) of the SEBI ICDR Regulations, and as described in “ <i>Our Management</i> ” on page 220   |
| Materiality Policy                     | The policy adopted by the Board on March 21, 2022, for (i) material outstanding litigation; (ii) identification of Group Companies; and (iii) outstanding dues to material creditors, in accordance with the disclosure requirements under the SEBI ICDR Regulations   |
| Memorandum of Association or MoA       | The memorandum of association of our Company, as amended   |
| Nomination and Remuneration Committee  | The nomination and remuneration committee of the Board as described in “ <i>Our Management</i> ” on page 215   |
| Non-executive Director(s)              | The non-executive(s) Directors of our Company. For details, see “ <i>Our Management</i> ” on page 206  |
| Promoters                              | Promoters of our Company namely, Dr. H.S. Raghavendra Rao, NCBG Holdings Inc. and VNG Technology Private Limited. For further details, see “ <i>Our Promoters and Promoter Group</i> ” on page 223   |
| Promoter Group                         | Persons and entities constituting the promoter group of our Company in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as disclosed in “ <i>Our Promoters and Promoter Group</i> ” on page 227  |
| Promoter Selling Shareholders          | Collectively, NCBG Holdings Inc. and VNG Technology Private Limited.   |
| Registered Office and Corporate Office | Aerospace SEZ Sector, Plot Numbers 29,30 and 107, Hitech Defence and Aerospace Park, Kavadasanahalli Village, Devanahalli Taluk, Bengaluru Rural – 562110 Karnataka, India   |
| Restated Financial Information         | Restated Financial Information of the Company for the three month period ended June 30, 2022 and June 30, 2021 and the Fiscals ended March 31, 2022, March 31, 2021 and March 31, 2020 comprising: (i) the Restated Consolidated Statement of Assets and Liabilities as at March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Assets and Liabilities as at March 31, 2021 and March 31, 2020 and the three month period ended June 30, 2021; (ii) the Restated Consolidated Statement of Profit and Loss (including other comprehensive income) for the fiscal ended March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Profit and Loss (including other comprehensive income) for the fiscals ended March 31, 2021 and March 31, 2020 and the three month period June 30, 2021; (iii) the Restated Consolidated Statement of Changes in Equity for the fiscal ended March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Changes in Equity for the fiscals ended March 31, 2021 and March 31, 2020 and the three month period ended June 30, 2021; (iv) the Restated Consolidated Statement of Cash Flows for the fiscal ended March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Cash Flows for the fiscals ended March 31, 2021 and March 31, 2020 and the three month period June 30, 2021 and the summary statement of significant accounting policies and other explanatory information, included in “ <i>Restated Financial Information</i> ” on page 233 |
| Registrar of Companies or RoC          | Registrar of Companies, Karnataka at Bangalore   |
| Shareholders                           | The holders of the Equity Shares from time to time   |
| Stakeholders Relationship Committee    | The stakeholders relationship committee of the Board as described in “ <i>Our Management</i> ” on page 216   |
| Subsidiary                             | The wholly owned subsidiary of our Company, being Raneal Advanced Systems Private Limited, as described under “ <i>History and Certain Corporate Matters – Subsidiary</i> ” on page 201  |

#### Offer related terms

| <b>Term</b>                         | <b>Description</b>  |
|-------------------------------------|---|
| Acknowledgment Slip                 | The slip or document issued by the respective Designated Intermediary(ies) to a Bidder as proof of registration of the Bid cum Application Form   |
| Allot’ or ‘Allotment’ or ‘Allotted’ | Unless the context otherwise requires, allotment of Equity Shares pursuant to the Fresh Issue and transfer of Offered Shares pursuant to the Offer for Sale to successful Bidders                                       |
| Allotment Advice                    | The note or advice or intimation of Allotment, sent to each successful Bidder who has been or is to be Allotted the Equity Shares after approval of the Basis of Allotment by the Designated Stock Exchange             |
| Allottee                            | A successful Bidder to whom the Equity Shares are Allotted  |
| Anchor Investor                     | A QIB, who applies under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and this Red Herring Prospectus and who has Bid for an amount of at least ₹ 100 million |

| <b>Term</b>                                     | <b>Description</b>   |
|---|--|
| Anchor Investor Application Form                | The application form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which will be considered as an application for Allotment in terms of this Red Herring Prospectus and the Prospectus   |
| Anchor Investor Bidding Date                    | The date, being one Working Day prior to the Bid/Offer Opening Date, on which Bids by Anchor Investors shall be submitted, prior to and after which the Book Running Lead Managers will not accept any Bids from Anchor investors, and allocation to the Anchor Investors shall be completed   |
| Anchor Investor Offer Price                     | The final price at which the Equity Shares will be Allotted to Anchor Investors in terms of this Red Herring Prospectus and the Prospectus, which will be a price equal to or higher than the Offer Price but not higher than the Cap Price<br><br>The Anchor Investor Offer Price will be determined by our Company, in consultation with the Book Running Lead Managers  |
| Anchor Investor Portion                         | Up to 60.00% of the QIB Portion which may be allocated by our Company in consultation with the Book Running Lead Managers, to Anchor Investors, on a discretionary basis in accordance with the SEBI ICDR Regulations.<br><br>One third of the Anchor Investor Portion is reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is made to Anchor Investors, which price shall be determined by our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers   |
| Application Supported by Blocked Amount or ASBA | The application (whether physical or electronic) by a Bidder (other than Anchor Investors) to make a Bid authorising the relevant SCSB to block the Bid Amount in the relevant ASBA Account and will include applications made by UPI Bidders where the Bid Amount will be blocked by SCSBs and Sponsor Banks, as applicable upon acceptance of UPI Mandate Request  |
| ASBA Account                                    | A bank account maintained by ASBA Bidders with an SCSB and specified in ASBA Form submitted by such ASBA Bidder in which funds will be blocked by such SCSB to the extent specified in the ASBA Form submitted by such ASBA Bidder and will include amounts blocked by SCSB and/or Sponsor Banks upon acceptance of UPI Mandate Request by UPI Bidders   |
| ASBA Bidders                                    | All Bidders except Anchor Investors  |
| ASBA Form                                       | An application form, whether physical or electronic, used by ASBA Bidders Bidding through the ASBA process, which will be considered as the application for Allotment in terms of this Red Herring Prospectus and the Prospectus   |
| Axis  | Axis Capital Limited   |
| Bankers to the Offer                            | Collectively, the Escrow Bank, the Public Offer Account Bank, the Refund Bank and the Sponsor Banks, as the case may be  |
| Basis of Allotment                              | The basis on which the Equity Shares will be Allotted to successful Bidders under the Offer, described in “Offer Procedure” on page 360  |
| Bid   | An indication to make an offer during the Bid/Offer Period by a Bidder (other than an Anchor Investor), or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid cum Application Form, to subscribe for or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto, to the extent permissible under the SEBI ICDR Regulations and in terms of this Red Herring Prospectus and the Bid cum Application Form. The term “Bidding” shall be construed accordingly.   |
| Bid Amount                                      | The highest value of optional Bids indicated in the Bid cum Application Form and, in the case of Retail Individual Investors Bidding at the Cut-off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such RII and mentioned in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the Bidder, as the case may be, upon submission of the Bid in the Offer   |
| Bid cum Application Form                        | Anchor Investor Application Form or the ASBA Form, as the context requires   |
| Bid Lot   | [•] Equity Shares and in multiples of [•] Equity Shares thereafter   |
| Bid/Offer Closing Date                          | Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries will not accept any Bids, being Wednesday, November 2, 2022, which shall be published in all editions of Financial Express (a widely circulated English national daily newspaper), all editions of Jansatta (a widely circulated Hindi national daily newspaper) and the Bangalore edition of Vishwvani (a widely circulated Kannada daily newspaper, Kannada being the regional language of Karnataka, where our Registered and Corporate Office is located). In case of any revisions, the extended Bid/Offer Closing Date will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites |

| <b>Term</b>   | <b>Description</b>   |
|---|--|
|   | of the Book Running Lead Managers and at the terminals of the other members of the Syndicate.  |
| Bid/Offer Opening Date                                  | Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids, being Monday, October 31, 2022, which shall be published in all editions of Financial Express (a widely circulated English national daily newspaper), all editions of Jansatta (a widely circulated Hindi national daily newspaper) and Bangalore edition of Vishwavani (a widely circulated Kannada daily newspaper, Kannada being the regional language of Karnataka, where our Registered and Corporate Office is located) and in case of any revisions, the extended Bid/Offer Closing Date shall also be notified on the websites and terminals of the Syndicate Member and also intimated to the Designated Intermediaries and the Sponsor Banks, as required under the SEBI ICDR Regulations |
| Bid/Offer Period  | Except in relation to Bids received from the Anchor Investors, the period between the Bid/Offer Opening Date and the Bid/Offer Closing Date, inclusive of both days during which prospective Bidders (excluding Anchor Investors) can submit their Bids, including any revisions thereof, in accordance with the SEBI ICDR Regulations and the terms of this Red Herring Prospectus. Provided, however, that the Bidding shall be kept open for a minimum of three Working Days for all categories of Bidders, other than Anchor Investors.  |
| Bidder  | Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor   |
| Bidding Centres   | Centres at which the Designated Intermediaries shall accept the Bid cum Application Forms, being the Designated SCSB Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for CRTAs and Designated CDP Locations for CDPs.   |
| Book Building Process                                   | The book building process as described in Part A of Schedule XIII of the SEBI ICDR Regulations, in terms of which the Offer is being made  |
| Book Running Lead Managers / BRLMs                      | Collectively, GCBRLMs and Saffron  |
| Broker Centres  | Broker centres of the Registered Brokers where Bidders (other than Anchor Investors) can submit the ASBA Forms to a Registered Broker. The details of such broker centres, along with the names and contact details of the Registered Brokers, are available on the respective websites of the Stock Exchanges   |
| CAN/Confirmation of Allocation Note                     | Notice or intimation of allocation of the Equity Shares to be sent to Anchor Investors, who have been allocated the Equity Shares, after the Anchor Investor Bidding Date  |
| Cap Price   | The higher end of the Price Band above which the Offer Price and Anchor Investor Offer Price will not be finalised and above which no Bids will be accepted, including any revisions thereof. Provided that the Cap Price shall be at least 105% of the Floor Price  |
| Cash Escrow and Sponsor Bank Agreement                  | The agreement dated October 19, 2022, entered into among our Company, the Promoter Selling Shareholders, the Registrar to the Offer, Syndicate Member, the Book Running Lead Managers, and the Bankers to the Offer for collection of the Bid Amounts from Anchor Investors transfer of funds to the Public Offer Account and where applicable remitting refunds, if any, to such Bidders, on the terms and conditions thereof   |
| Client ID   | Client identification number maintained with one of the Depositories in relation to demat account  |
| Collecting Depository Participants or CDPs              | A depository participant, as defined under the Depositories Act and registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, and the SEBI UPI Circulars, issued by SEBI   |
| Collecting Registrar and Share Transfer Agents or CRTAs | Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, and the SEBI UPI Circulars, issued by SEBI  |
| Company Commissioned F&S Report / Industry Report       | Company commissioned report titled "The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment" dated September 19, 2022, prepared and issued by Frost & Sullivan (India) Private Limited ("F&S") appointed on January 7, 2022, exclusively commissioned, and paid for by our Company in connection with the Offer   |
| Cut-off Price   | The Offer Price, finalised by our Company in consultation with the Book Running Lead Managers, which shall be any price within the Price Band. Only Retail Individual Investors are entitled to Bid at the Cut-off Price. QIBs (including Anchor Investors) and Non-Institutional Investors are not entitled to Bid at the Cut-off Price   |



| <b>Term</b>                  | <b>Description</b>  |
|------------------------------|---|
| Demographic Details          | The details of the Bidders including the Bidder's address, name of the Bidder's father/husband, investor status, occupation, bank account details and UPI ID, as applicable   |
| Designated CDP Locations     | Such centres of the CDPs where Bidders (except Anchor Investors) can submit the ASBA Forms. The details of such Designated CDP Locations, along with the names and contact details of the CDPs are available on the respective websites of the Stock Exchanges and updated from time to time  |
| Designated Date              | The date on which the funds from the Escrow Account are transferred to the Public Offer Account or the Refund Account, as appropriate, and the relevant amounts blocked in the ASBA Accounts are transferred to the Public Offer Account and/or are unblocked, as applicable, in terms of this Red Herring Prospectus and the Prospectus, after finalisation of the Basis of Allotment in consultation with the Designated Stock Exchange, following which the Board of Directors may Allot Equity Shares to successful Bidders in the Offer  |
| Designated Intermediaries    | In relation to ASBA Forms submitted by Retail Individual Investors and Non-Institutional Bidders with an application size of up to ₹ 500,000 (not using the UPI Mechanism) by authorizing an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs.<br><br>In relation to ASBA Forms submitted by UPI Bidders where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such UPI Bidder, as the case may be, Designated Intermediaries shall mean Syndicate, sub-Syndicate/agents, Registered Brokers, CDPs, and RTAs.<br><br>In relation to ASBA Forms submitted by QIBs and Non-Institutional Bidders (not using the UPI Mechanism), Designated Intermediaries shall mean Syndicate, sub-Syndicate/agents, SCSBs, Registered Brokers, the CDPs and RTAs |
| Designated RTA Locations     | Such centres of the CRTAs where Bidders (except Anchor Investors) can submit the Bid cum Application Forms. The details of such Designated RTA Locations, along with the names and contact details of the CRTAs are available on the respective websites of the Stock Exchanges (www.nseindia.com and www.bseindia.com) and updated from time to time   |
| Designated SCSB Branches     | Such branches of the SCSBs which shall collect the ASBA Forms, a list of which is available on the website of SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes</a> or at such other website as may be prescribed by SEBI from time to time   |
| Designated Stock Exchange    | BSE   |
| Draft Red Herring Prospectus | The draft red herring prospectus dated April 4, 2022, filed with SEBI and issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Offer, and includes any addenda or corrigenda thereto  |
| Edelweiss                    | Edelweiss Financial Services Limited  |
| Eligible NRI(s)              | A non-resident Indian, resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom this Red Herring Prospectus and the Bid Cum Application Form constitutes an invitation to subscribe or purchase for the Equity Shares   |
| Eligible FPI(s)              | FPIs that are eligible to participate in this Offer in terms of applicable laws, other than individuals, corporate bodies and family offices  |
| Escrow Account               | Account opened with the Escrow Bank for the Offer and in whose favour the Anchor Investors will transfer money through direct credit or NEFT or RTGS or NACH in respect of the Bid Amount when submitting a Bid   |
| Escrow Bank                  | The bank, being Axis Bank Limited, which is a clearing member and registered with SEBI as a banker to an issue under the SEBI BTI Regulations and with whom the Escrow Account will be opened   |
| First Bidder                 | The Bidder whose name appears first in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name appears as the first holder of the beneficiary account held in joint names   |
| Floor Price                  | The lower end of the Price Band, subject to any revisions thereof, at or above which the Offer Price and Anchor Investor Offer Price will be finalised and below which no Bids will be accepted, and which shall not be less than the face value of the Equity Shares   |
| Fraudulent Borrower          | Fraudulent borrower as defined under Regulation 2(1)(III) of the SEBI ICDR Regulations  |
| Fresh Issue                  | Fresh issue of up to [•] Equity Shares by our Company aggregating up to ₹ 4,000.00 million to be issued by our Company as part of the Offer, in terms of this Red Herring Prospectus and the Prospectus.  |
| General Information Document | The General Information Document for investing in public issues prepared and issued in accordance with the circular no. SEBI / HO / CFD / DIL1 / CIR / P / 2020 / 37 dated March 17, 2020, and the SEBI UPI Circulars, as amended by SEBI from time to time.  |

| Term   | Description  |
|--|--|
|  | The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs   |
| GCBRLMs  | The global co-ordinator and book running lead managers to the Offer, in this case, being Edelweiss Financial Services Limited, and Axis Capital Limited  |
| Monitoring Agency  | CARE Ratings Limited   |
| Monitoring Agency Agreement                                    | The agreement dated September 29, 2022, entered into between our Company and the Monitoring Agency   |
| Mutual Fund Portion  | 5.00% of the QIB Portion (excluding the Anchor Investor Portion) or [•] Equity Shares which shall be available for allocation to Mutual Funds only, on a proportionate basis, subject to valid Bids being received at or above the Offer Price   |
| NBFC-SI  | Systemically important non-banking financial company defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations and covered under Regulation 2(1)(ss)(xiii) of the SEBI ICDR Regulations as a QIB   |
| Net Proceeds   | Proceeds of the Offer that will be available to our Company, i.e., gross proceeds of the Fresh Issue, less Offer Expenses to the extent applicable to the Fresh Issue.   |
| Net QIB Portion  | The portion of the QIB Portion less the number of Equity Shares allocated to the Anchor Investors.   |
| Non-Institutional Category                                     | The portion of the Offer, being not more than 15.00% of the Offer being [•] Equity Shares. The allocation to each Non-Institutional Investor shall not be less than ₹ 0.2 million, subject to the availability of Equity Shares in Non-Institutional Investors' category, and the remaining Equity Shares, if any, shall be allocated on a proportionate basis, subject to valid Bids being received at or above the Offer Price, in accordance with the SEBI ICDR Regulations. One third of the portion available to Non-Institutional Investors shall be reserved for applicants with application size of more than two lakh rupees and up to ten lakh rupees, and two third of the portion available to Non-Institutional investors shall be reserved for applicants with application size of more than ten lakh rupees, provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b), may be allocated to applicants in the other sub-category of non-institutional investors.   |
| Non-Institutional Investors / Non-Institutional Bidders / NIIs | All Bidders, including FPIs other than individuals, corporate bodies, and family offices, registered with SEBI that are not QIBs (including Anchor Investors) or Retail Individual Investors, who have Bid for Equity Shares for an amount of more than ₹ 200,000 (but not including NRIs other than Eligible NRIs)  |
| Offer  | The public issue of up to [•] Equity Shares of face value of ₹ 2.00 each for cash at a price of ₹ [•] each, aggregating up to ₹ 5,000.00 million comprising the Fresh Issue and the Offer for Sale.  |
| Offer Agreement  | The agreement dated April 4, 2022, entered into among our Company, the Promoter Selling Shareholders and the Book Running Lead Managers, as amended on September 21, 2022.   |
| Offer for Sale   | The offer for sale of up to [•] Equity Shares aggregating up to ₹ 1,000.00 million by the Promoter Selling Shareholders in the Offer   |
| Offer Price  | The final price (within the Price Band) at which Equity Shares will be Allotted to the successful Bidders (except Anchor Investors), as determined in accordance with the Book Building Process and determined by our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers, in terms of this Red Herring Prospectus on the Pricing Date.<br><br>Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Offer Price in terms of this Red Herring Prospectus and the Prospectus   |
| Offered Shares   | Up to [•] Equity Shares aggregating up to ₹ 1,000.00 million being offered for sale by the Promoter Selling Shareholders in the Offer for Sale   |
| Price Band   | Price band ranging from a Floor Price of ₹ [•] per Equity Share to a Cap Price of ₹ [•] per Equity Share, including revisions thereof, if any. The Price Band will be determined by our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers, and the minimum Bid Lot size will be determined by our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers, and advertised in all editions of Financial Express (a widely circulated English national newspaper), all editions of Jansatta (a widely circulated Hindi national newspaper) and the Bangalore edition of Vishwavani (a widely circulated Kannada daily newspaper, Kannada being the regional language of Karnataka, where the Registered and Corporate Office is situated), at least two Working Days prior to the Bid/Offer Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price and shall be made available to the Stock Exchanges for the purpose of uploading on their websites. |

| <b>Term</b>  | <b>Description</b>   |
|--|--|
| Pricing Date   | The date on which our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers, shall finalise the Offer Price.  |
| Prospectus   | The prospectus to be filed with the RoC for this Offer on or after the Pricing Date in accordance with the provisions of Section 26 of the Companies Act, 2013 and the SEBI ICDR Regulations, including any addenda or corrigenda thereto and containing the Offer Price, the size of the Offer and certain other information.   |
| Public Offer Account   | The bank account opened with the Public Offer Account Bank under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account and the ASBA Accounts on the Designated Date.  |
| Public Offer Account Bank  | The bank with whom the Public Offer Account is opened for collection of Bid Amounts from the Escrow Account and ASBA Accounts on the Designated Date, in this case being Axis Bank Limited.  |
| QIB Portion  | The portion of the Offer, being not less than 75% of the Offer, or [•] Equity Shares, which shall be available for allocation on a proportionate basis to QIBs, including the Anchor Investor Portion (in which allocation shall be on a discretionary basis, as determined by our Company, in consultation with the Book Running Lead Managers), subject to valid Bids being received at or above the Offer Price.  |
| Qualified Institutional Buyers or QIBs                           | A qualified institutional buyer as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations.   |
| Red Herring Prospectus   | This red herring prospectus, dated October 19, 2022, issued in accordance with Section 32 of the Companies Act, 2013, the SEBI ICDR Regulations which does not have complete particulars of the price at which the Equity Shares shall be allotted and which will be filed with the RoC at least three Working Days before the Bid/Offer Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date, including any addenda or corrigenda thereto.  |
| Refund Account   | The account opened with the Refund Bank from which refunds, if any, of the whole or part of the Bid Amount shall be made to Anchor Investors.  |
| Refund Bank  | The bank which are a clearing member registered with SEBI under the SEBI BTI Regulations, with whom the Refund Account will be opened, in this case being Axis Bank Limited.   |
| Registered Brokers   | Stock-brokers registered with the stock exchanges having nationwide terminals, other than the members of the Syndicate and eligible to procure Bids in terms of circular number no. CIR/CFD/14/2012 dated October 4, 2012, and the SEBI UPI Circulars, issued by SEBI  |
| Registrar Agreement  | The agreement dated April 4, 2022 entered into between our Company, the Promoter Selling Shareholders and the Registrar to the Offer in relation to the responsibilities and obligations of the Registrar to the Offer pertaining to the Offer   |
| Registrar to the Offer   | Link Intime India Private Limited  |
| Retail Category  | The category of the Offer, being not more than 10% of the Offer, or [•] Equity Shares, available for allocation to Retail Individual Investors, which shall not be less than the minimum Bid Lot, subject to availability in the Retail Category   |
| Retail Individual Investors /RIIs/RIBs/Retain Individual Bidders | Bidders (including HUFs and Eligible NRIs), whose Bid Amount for Equity Shares in the Offer is not more than ₹ 200,000 in any of the Bidding options in the Offer (including HUFs applying through their karta and Eligible NRIs and does not include NRIs other than Eligible NRIs)   |
| Revision Form  | The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form, as applicable.<br><br>QIBs Bidding in the QIB category and Non-Institutional Investors Bidding in the Non-Institutional Category are not permitted to withdraw their Bid(s) or lower the size of their Bid(s) (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Investors can revise their Bids during Bid/Offer period and withdraw their Bids until Bid/Offer Closing Date. Further, Retail Individual Investors shall submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment |
| Saffron  | Saffron Capital Advisors Private Limited   |
| SEBI UPI Circulars   | The SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI circular no.   |

| <b>Term</b>                             | <b>Description</b>   |
|---|--|
|   | SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 and any subsequent circulars or notifications issued by SEBI in this regard   |
| Self-Certified Syndicate Banks or SCSBs | (i) The banks registered with SEBI, offering services in relation to ASBA (other than through UPI Mechanism), a list of which is available on the website of SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=34">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=34</a> or <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=35">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=35</a> , as applicable, or such other website as updated from time to time, and<br>(ii) The banks registered with SEBI, enabled for UPI Mechanism, a list of which is available on the website of SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=40">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=40</a><br><br>Applications through UPI in the Offer could be made only through the SCSBs mobile applications (apps) whose name appears on SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI Mechanism is appearing in the “list of mobile applications for using UPI in public issues” displayed on SEBI website. The said list shall be updated on SEBI website |
| Share Escrow Agent                      | Link Intime India Private Limited  |
| Share Escrow Agreement                  | Agreement dated October 19, 2022, entered into amongst the Promoter Selling Shareholders, our Company and the Share Escrow Agent in connection with the transfer of Equity Shares under the Offer by the Promoter Selling Shareholders and credit of such Equity Shares to the demat account of the Allottees  |
| Specified Locations                     | Bidding Centres where the Syndicate shall accept Bid cum Application Forms, a list of which is available on the website of SEBI ( <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> ) and updated from time to time   |
| Sponsor Banks                           | Bankers to the Offer registered with SEBI, which have been appointed by our Company to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the Retail Individual Investors and carry out any other responsibilities, in terms of the SEBI UPI Circulars, in this case being Axis Bank Limited and HDFC Bank Limited.  |
| Stock Exchanges                         | Together, BSE and NSE  |
| Syndicate Agreement                     | Agreement entered into amongst our Company, the Promoter Selling Shareholders, the BRLMs and the Syndicate Member in relation to collection of Bid cum Application Forms by Syndicate  |
| Syndicate Member                        | The Syndicate member as defined under Regulation 2(1)(hhh) of the SEBI ICDR Regulations, being Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)   |
| Syndicate or members of the Syndicate   | Collectively, the Book Running Lead Managers and the Syndicate Member  |
| Underwriters                            | [•]  |
| Underwriting Agreement                  | The agreement among the Underwriters, our Company and the Promoter Selling Shareholders to be entered into on or after the Pricing Date, but prior to filing of the Prospectus   |
| UPI                                     | Unified Payments Interface which is an instant payment mechanism, developed by NPCI  |
| UPI Bidders                             | Collectively, individual investors applying as (i) Retail Individual Bidders in the Retail Portion, and (ii) Non-Institutional Bidders with an application size of more than ₹ 200,000 and up to ₹ 500,000 in the Non-Institutional Portion, and Bidding under the UPI Mechanism through ASBA Form(s) submitted with the Syndicate Member, Registered Brokers, Collecting Depository Participants and Registrar and Share Transfer Agents Pursuant to Circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022 issued by SEBI, all individual investors applying in public issues where the application amount is up to ₹500,000 shall use UPI and shall provide their UPI ID in the bid-cum-application form submitted with: (i) a syndicate member, (ii) a stock broker registered with a recognized stock exchange (whose name is mentioned on the website of the stock exchange as eligible for such activity), (iii) a depository participant (whose name is mentioned on the website of the stock exchange as eligible for such activity), and (iv) a registrar to an issue and share transfer agent (whose name is mentioned on the website of the stock exchange as eligible for such activity)   |
| UPI ID                                  | Identity document created on UPI for single-window mobile payment system developed by the NPCI   |
| UPI Mandate Request                     | A request (intimating the UPI Bidders, by way of a notification on the UPI application and by way of a SMS directing the UPI Bidders to such UPI application) to the UPI   |

| Term             | Description   |
|------------------|---|
|                  | Bidders initiated by the Sponsor Banks to authorise blocking of funds equivalent to the Bid Amount in the relevant ASBA Account through the UPI application equivalent to Bid Amount, and the subsequent debit of funds in case of Allotment  |
| UPI Mechanism    | The Bidding mechanism that is used by UPI Bidders to make Bids in the Offer in accordance with the SEBI UPI Circulars   |
| UPI PIN          | Password to authenticate UPI transaction  |
| Wilful Defaulter | An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of regulation 2(1)(iii) of the SEBI ICDR Regulations   |
| Working Day(s)   | All days on which commercial banks in Mumbai are open for business; provided however, with reference to (a) announcement of Price Band; and (b) Bid/Offer Period, the term Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business; and (c) the time period between the Bid/Offer Closing Date and the listing of the Equity Shares on the Stock Exchanges, "Working Day" shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI, including the SEBI UPI Circulars |

### Conventional and general terms and abbreviations

| Term                                 | Description  |
|--------------------------------------|--|
| “₹” or “Rs.” or “Rupees” “INR”       | Indian Rupees  |
| Adjusted EBITDA                      | Adjusted Earnings before interest, taxes, depreciation, and amortization expenses<br>Adjusted EBITDA is calculated as EBITDA plus interest on fixed deposits.  |
| Adjusted EBIT                        | Adjusted EBIT is calculated as Adjusted EBITDA less depreciation and amortization expenses   |
| Adjusted ROCE                        | Percentage of Adjusted EBIT divided by Capital Employed  |
| AGM                                  | Annual general meeting of shareholders under the Companies Act 2013  |
| AIFs                                 | Alternative Investment Funds as defined in and registered with SEBI under the SEBI AIF Regulations   |
| Bn                                   | Billion  |
| BSE                                  | BSE Limited  |
| CAGR                                 | Compounded Annual Growth Rate  |
| CARO                                 | Companies (Auditor’s Report) Order, 2016   |
| CCI                                  | Competition Commission of India  |
| CCPS                                 | Compulsorily and Convertible Preference Shares   |
| CDSL                                 | Central Depository Services (India) Limited  |
| CIN                                  | Corporate Identity Number  |
| Companies Act 1956                   | The erstwhile Companies Act, 1956 read with the rules, regulations, clarifications and modifications thereunder  |
| Companies Act, 2013 or Companies Act | The Companies Act, 2013, read with the rules, regulations, clarifications and amendments thereunder  |
| Consolidated FDI Policy              | The consolidated FDI Policy, effective from October 15, 2020, issued by the DPIIT, and any amendments or substitutions thereof, issued from time to time   |
| COVID-19                             | The novel coronavirus disease, which is an infectious disease caused by a newly discovered coronavirus strain that was discovered in 2019 and has resulted in a global pandemic  |
| CSR                                  | Corporate social responsibility  |
| Depositories Act                     | Depositories Act, 1996, read with the rules, regulations, amendments and modifications thereunder  |
| Depository                           | A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018   |
| Depository Participant or DP         | A depository participant as defined under the Depositories Act   |
| DDT                                  | Dividend Distribution Tax  |
| DIN                                  | Director Identification Number   |
| DP ID                                | Depository Participant’s identity number   |
| DPIIT                                | Department of Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India   |
| EBITDA                               | Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated as profit before exceptional items and tax plus finance costs, depreciation and amortization expenses less other income and plus foreign exchange loss. Other income includes (i) interest income on fixed deposits; (ii) unwinding of interest on security deposit; (iii) income from foreign exchange fluctuation; (iv) gain on termination of lease; (v) income from mutual funds; (vi) income arising from fair valuation of asset through profit and |

| Term   | Description  |
|--|--|
|  | loss; and (vii) other income on account of incentives received pursuant to the Pradhan Mantri Rojgar Protsahan Yojana  |
| EGM  | Extraordinary general meeting  |
| EPF Act  | Employees' Provident Fund and Miscellaneous Provisions Act, 1952   |
| EPS  | Earnings per share   |
| ESI Act  | Employees' State Insurance Act, 1948   |
| ESIC   | Employees' State Insurance Corporation   |
| FCNR Account                                   | Foreign Currency Non-Resident (Bank) Account established in accordance with provisions of FEMA   |
| FDI  | Foreign direct investment  |
| FEMA   | Foreign Exchange Management Act, 1999 read with rules and regulations thereunder   |
| FEMA Rules                                     | Foreign Exchange Management (Non-debt Instruments) Rules, 2019   |
| Financial Year/Fiscal/FY                       | The period of 12 months commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year   |
| FPIs   | A foreign portfolio investor who has been registered pursuant to the SEBI FPI Regulations  |
| FVCI   | Foreign Venture Capital Investors (as defined under the SEBI FVCI Regulations) registered with SEBI  |
| GAAR   | General Anti-Avoidance Rules   |
| GDP  | Gross Domestic Product   |
| GDS  | Gross Domestic Savings   |
| Government of India, Central Government or GoI | The Government of India  |
| GST  | Goods and Services Tax   |
| HUF(s)   | Hindu undivided family(ies)  |
| IBC  | Insolvency and Bankruptcy Code, 2016   |
| ICAI   | The Institute of Chartered Accountants of India  |
| IFRS   | International Financial Reporting Standards  |
| Income Tax Act                                 | Income-tax Act, 1961   |
| Ind AS   | The Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 and referred to in the Ind AS Rules  |
| Ind AS 24                                      | Indian Accounting Standard 24 on Related Party Disclosure issued by the MCA  |
| Ind AS 33                                      | Indian Accounting Standard 33 on Earnings Per Share issued by the MCA  |
| Ind AS 34                                      | Indian Accounting Standard 34 on Interim Financial Reporting issued by the MCA   |
| Ind AS 37                                      | Indian Accounting Standard 37 on Provisions, Contingent Liabilities and Contingent Assets issued by the MCA  |
| Ind AS Rules                                   | Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time  |
| Indian GAAP                                    | Generally Accepted Accounting Principles in India notified under Section 133 of the Companies Act, 2013 and read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016  |
| INR, Rupee, ₹ or Rs.                           | Indian Rupee, the official currency of the Republic of India   |
| IPO  | Initial public offering  |
| IS   | International Standards  |
| IT   | Information Technology   |
| MCA  | Ministry of Corporate Affairs, Government of India   |
| MCLR   | Marginal Cost of funds-based Lending Rate  |
| MIS  | Management Information System  |
| Mutual Funds                                   | Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996  |
| NAV  | Net Asset Value  |
| NCLT   | National Company Law Tribunal  |
| NEFT   | National Electronic Fund Transfer  |
| NPCI   | National Payments Corporation of India   |
| NR/Non-resident                                | A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian  |
| NRE Account                                    | Non-Resident External Account  |
| NRI  | Non-Resident Indian  |
| NSDL   | National Securities Depository Limited   |
| NSE  | National Stock Exchange of India Limited   |
| OCB or Overseas Corporate Body                 | A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under |

| Term                              | Description  |
|-----------------------------------|--|
|                                   | the general permission granted to OCBs under FEMA. OCBs are not allowed to invest in the Offer   |
| OFAC                              | U.S. Department of the Treasury of Foreign Assets Control  |
| Operating EBITDA                  | Operating EBITDA is calculated as restated profit or loss after tax plus total tax expense, finance costs and depreciation and amortization expense less lease payments, interest income on bank deposits, interest income on other financial assets at amortised cost, interest income on income tax refund, net gain on sale of current investments, fair value gain on investments at fair value through profit or loss |
| p.a.                              | Per annum  |
| P/E Ratio                         | Price/Earnings Ratio   |
| PAN                               | Permanent Account Number   |
| PAT                               | Profit After Tax   |
| RBI                               | The Reserve Bank of India  |
| Regulation S                      | Regulation S under the U.S. Securities Act   |
| ROCE                              | Return on Capital Employed   |
| ROE                               | Return on Equity   |
| RoNW                              | Return on Net Worth  |
| RTGS                              | Real Time Gross Settlement   |
| SCRA                              | Securities Contracts (Regulation) Act, 1956  |
| SCRR                              | Securities Contracts (Regulation) Rules, 1957  |
| SEBI                              | Securities and Exchange Board of India constituted under the SEBI Act  |
| SEBI Act                          | Securities and Exchange Board of India Act, 1992   |
| SEBI AIF Regulations              | Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012  |
| SEBI BTI Regulations              | Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994   |
| SEBI FPI Regulations              | Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019   |
| SEBI FVCI Regulations             | Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000   |
| SEBI ICDR Regulations             | Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018  |
| SEBI Listing Regulations          | Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015   |
| SEBI Merchant Bankers Regulations | Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992  |
| SEBI Takeover Regulations         | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011   |
| SEBI VCF Regulations              | Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations   |
| STT                               | Securities Transaction Tax   |
| U.S. GAAP                         | Generally Accepted Accounting Principles in the United States of America   |
| U. S. Securities Act              | United States Securities Act of 1933, as amended   |
| US\$ or USD or US Dollar          | United States Dollar, the official currency of the United States of America  |
| USA or U.S. or US                 | United States of America   |
| VAT                               | Value Added Tax  |
| VCFs                              | Venture capital funds as defined in and registered with SEBI under the SEBI VCF Regulations or the SEBI AIF Regulations, as the case may be  |

#### Industry and Business-related terms

| Term     | Description   |
|----------|---|
| ATP      | Acceptance Test Procedures  |
| BOM      | Bill of Materials   |
| CFT      | Cross Functional Team   |
| DAP 2020 | Defence Acquisition Policy 2020, that seeks to address technology and R&D capability shortcomings by moving the focus away from “components” and toward “technology investments” as well as “platform export” |
| DLA      | Defence Logistics Agency, USA   |
| DPSU     | Defence Public Sector Undertakings  |
| EMDE     | Emerging Markets and Developing Economies   |
| EMS      | Electronic Manufacturing Services   |
| FAI      | First Article Inspection  |

|       |  |
|-------|--|
| FDI   | Foreign Direct Investment  |
| FPS   | Fire Protection Services   |
| GDP   | Gross Domestic Product   |
| HVAC  | Heating, Ventilation and Air conditioning  |
| HT    | High Tension   |
| IMF   | International Monetary Fund  |
| IOP   | Indian enterprises, institutions and establishments engaged in the manufacture of eligible products and/or provision of eligible services, including DRDO, as per the definition mentioned in the Defence Acquisition Procedure 2020 |
| IPC   | Institute for Printed Circuit  |
| KIADB | Karnataka Industrial Areas Development Board   |
| LRSAM | Long Range Surface-to-Air Missiles   |
| LT    | Low Tension  |
| MEIS  | Merchandise Exports from India Scheme  |
| MRO   | Maintenance, Repair and Overhaul   |
| MRSAM | Medium Range Surface-to-Air Missiles   |
| MSD   | Moisture Sensitive Devices   |
| NATO  | North Atlantic Treaty Organisation   |
| NPD   | Notice of Proposed Debarment   |
| OEM   | Original Equipment Manufacturers   |
| OFBs  | Ordnance Factory Board   |
| PCFC  | Packing Credit Loan in Foreign Currency  |
| PEB   | Pre-engineered Building  |
| PHE   | Public Health Engineering  |
| PLI   | Production-linked Incentive Scheme   |
| TEV   | Techno Economic Viability  |
| UUT   | Unit Under Test  |
| WEO   | World Exconomic Outlet   |



## **CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION**

### **Certain conventions**

All references in this Red Herring Prospectus to “**India**” are to the Republic of India, together with its territories and possessions. All references in this Red Herring Prospectus to the “**U.S.**”, “**USA**” or “**United States**” are to the United States of America, together with its territories and possessions.

Unless otherwise specified, any time mentioned in this Red Herring Prospectus is in Indian Standard Time (“**IST**”). Unless indicated otherwise, all references to a year in this Red Herring Prospectus are to a calendar year.

Unless otherwise stated, all references to page numbers in this Red Herring Prospectus are to page numbers of this Red Herring Prospectus.

### **Financial data**

Restated Financial Information of the Company for the three month period ended June 30, 2022 and June 30, 2021 and Fiscals ended March 31, 2022, March 31, 2021 and March 31, 2020 comprising: (i) the Restated Consolidated Statement of Assets and Liabilities as at March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Assets and Liabilities as at March 31, 2021 and March 31, 2020 and the three month period ended June 30, 2021; (ii) the Restated Consolidated Statement of Profit and Loss (including other comprehensive income) for the fiscal ended March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Profit and Loss (including other comprehensive income) for the fiscals ended March 31, 2021 and March 31, 2020 and the three month period ended June 30, 2021; (iii) the Restated Consolidated Statement of Changes in Equity for the fiscal ended March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Changes in Equity for the fiscals ended March 31, 2021 and March 31, 2020 and the three month period ended June 30, 2021; (iv) the Restated Consolidated Statement of Cash Flows for the fiscal ended March 31, 2022 and the three month period ended June 30, 2022 and the Restated Standalone Statement of Cash Flows for the fiscals ended March 31, 2021 and March 31, 2020 and the three month period ended June 30, 2021 and the summary of significant accounting policies and other explanatory information to the restated financial statements prepared in terms of the Section 26 of Part I of Chapter III of the Companies Act, 2013, SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended.

Our Company’s financial year commences on April 1 and ends on March 31 of the next year. Accordingly, all references in this Red Herring Prospectus to a particular Financial Year, Fiscal or Fiscal Year, unless stated otherwise, are to the 12-month period ended on March 31 of that particular calendar year.

Certain figures contained in this Red Herring Prospectus, including financial information, have been subject to rounding adjustments. Any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the two decimal points. In certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given, and (ii) the sum of the figures in a column or row in certain tables may not conform exactly to the total figure given for that column or row.

Unless the context otherwise indicates, any percentage amounts, as set forth in “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 27, 163, and 299, respectively, and elsewhere in this Red Herring Prospectus have been calculated on the basis of amounts derived from the Restated Financial Information.

### *Non- GAAP Financial Measures*

This Red Herring Prospectus contains certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance like EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin, Adjusted EBITDA, Adjusted ROCE, return on capital employed, net worth, return on net worth, net asset value per equity share, debt equity ratio, and certain other statistical information relating to our operations and financial performance that are not required by, or presented in accordance with, Ind AS, Indian GAAP, U.S. GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or U.S. GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period

or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS, Indian GAAP, IFRS or U.S. GAAP. We compute and disclose such non-Indian GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance. These non-Indian GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other companies and are not measures of operating performance or liquidity defined by Ind AS and may not be comparable to similarly titled measures presented by other companies. Other companies may calculate these Non-GAAP Measures differently from us, limiting its usefulness as a comparative measure. Although such Non-GAAP Measures are not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that they are useful to an investor in evaluating us as they are widely used measures to evaluate a company's operating performance.

### **Industry and market data**

Unless stated otherwise, industry and market data used throughout this Red Herring Prospectus has been obtained or derived from a report titled "*The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment*" dated September 19, 2022 ("**Company Commissioned F&S Report**"), which is exclusively prepared for the purpose of the Offer and issued by Frost & Sullivan (India) Private Limited and is commissioned and paid for by our Company. Frost & Sullivan (India) Private Limited was appointed on January 7, 2022, pursuant to a letter of agreement entered into with our Company. The Company Commissioned F&S Report shall be available on the website of our Company at <https://dcxindia.com/investors> in compliance with applicable laws. The excerpts of the industry report are disclosed in the Offer Documents and there are no parts, information, data (which may be relevant for the proposed Offer), left out or changed in any manner. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. For risks in relation to commissioned reports, see "*Risk Factors -Industry information included in this Red Herring Prospectus has been derived from an industry report prepared by Frost & Sullivan (India) Private Limited exclusively commissioned and paid for by us for such purpose*" on page 54.

Although the industry and market data used in this Red Herring Prospectus is reliable, industry sources and publications may base their information on estimates and assumptions that may prove to be incorrect.

The data used in these sources may have been re-classified by us for the purposes of presentation. Data from these sources may also not be comparable. The extent to which industry and market data set forth in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources. Accordingly, no investment decision should be made solely on the basis of such information. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in "*Risk Factors*" on page 27. Frost & Sullivan (India) Private Limited have required us to include the following disclaimer in connection with the Company Commissioned F&S Report:

*Disclaimer:*

*"The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment" dated September 19, 2022, has been prepared for the proposed initial public offering of equity shares by DCX Systems Limited.*

*This study has been undertaken through extensive primary and secondary research, which involves discussing the status of the industry with leading market participants and experts, and compiling inputs from publicly available sources, including official publications and research reports. Estimates provided by Frost & Sullivan (India) Private Limited ("Frost & Sullivan") and its assumptions are based on varying levels of quantitative and qualitative analyses, including industry journals, company reports and information in the public domain.*

*Frost & Sullivan has prepared this study in an independent and objective manner, and it has taken all reasonable care to ensure its accuracy and completeness. We believe that this study presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and it does not purport to be exhaustive. The results that can be or are derived from these findings are based on certain*

assumptions and parameters/conditions. As such, a blanket, generic use of the derived results or the methodology is not encouraged.

Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements.

In making any decision regarding the transaction, the recipient should conduct its own investigation and analysis of all facts and information contained in the prospectus of which this report is a part and the recipient must rely on its own examination and the terms of the transaction, as and when discussed. The recipients should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.”

In accordance with the SEBI ICDR Regulations, the section titled “Basis for the Offer Price” on page 112, includes information relating to our peer group companies.

### Currency and units of presentation

All references to “Rupee(s)”, “Rs.” or “₹” or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “U.S. Dollars” or “USD” are to United States Dollars, the official currency of the United States of America.

All the figures in this Red Herring Prospectus have been presented in million or in whole numbers where the numbers have been too small to present in million unless stated otherwise. One million represents 1,000,000 and one billion represents 1,000,000,000. However, figures sourced from third-party industry sources may be expressed in denominations other than million or may be rounded off to other than two decimal points in the respective sources, and such figures have been expressed in this Red Herring Prospectus in such denominations or rounded-off to such number of decimal points as provided in such respective sources.

### Exchange Rates

This Red Herring Prospectus contains conversions of certain other currency amounts into Rupees that have been presented solely to comply with the requirements of SEBI ICDR Regulations. Such conversion should not be considered as a representation that such currency amounts have been, could have been or can be converted into Rupees at any particular rate, the rates stated above or at all. Unless otherwise stated, the exchange rates referred to for the purpose of conversion of foreign currency amounts into Rupee amounts, are as follows:

| Currency | Exchange rate as on |               |                |                |                |
|----------|---------------------|---------------|----------------|----------------|----------------|
|          | June 30, 2022       | June 30, 2021 | March 31, 2022 | March 31, 2021 | March 31, 2020 |
| USD      | 78.94               | 74.35         | 75.81          | 73.50          | 75.39          |

Source: RBI / Financial Benchmark India Private Limited

## FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain statements which are not statements of historical facts and may be described as “forward-looking statements”. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements, which include statements with respect to our business strategy, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), our goals and other matters discussed in this Red Herring Prospectus regarding matters that are not historical facts. These forward-looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “likely to”, “objective”, “plan”, “propose”, “project”, “will continue”, “seek to”, “will pursue” or other words or phrases of similar import. However, these are not the exclusive means of identifying forward-looking statements. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

These forward-looking statements are based on our current plans, estimates and expectations and actual results may differ materially from those suggested by such forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. This could be due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes in the industry we operate in and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India that may have an impact on our business or investments, monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates and prices, the general performance of Indian and global financial markets, changes in the competitive landscape and incidence of any natural calamities and/or violence. Significant factors that could cause our actual results to differ materially from our expectations include, but are not limited to:

- (i) Dependency on the sale of our products and services to our key customers and risk associated with loss of one or more such customers or a reduction in their demand for our products which could adversely affect our business, results of operations, financial condition, and cash flows.
- (ii) Significant dependence on Indian offset defence partners for our revenue and any changes in the offset defence policy or a decline or reprioritisation of funding in the Indian defence budget, or delays in the budget process could adversely affect our ability to grow or maintain our sales, earnings, and cash flow.
- (iii) Risk associated with current orders being modified, cancelled, delayed, put on hold or not fully paid for by our customers, which could adversely affect our results of operations.
- (iv) Significant shortages of, or delay or disruption in the supply of primary raw materials could affect our estimated costs, expenditures and timelines which may have a material adverse effect on our business, financial condition, results of operations and cash flows.
- (v) Inability to derive the benefits from the proposed objects of the Offer for funding the capital expenditure of our Subsidiary, Raneal Advanced Systems Private Limited.
- (vi) Our dependency on the performance of the electronic subsystems market and any adverse changes in the conditions affecting the electronic subsystems market can adversely impact our business, financial condition, results of operations, cash flows and prospects.
- (vii) Risk associated with slowdown, shutdown or disruption in our manufacturing facility, which may be caused by natural and other disasters causing unforeseen damages which may lead to disruptions in our business and operations could have an adverse effect on our business, results of operations, financial condition and cash flows.
- (viii) Inability to obtain capital equipment required for testing and qualifying the products from the customers which may have a material adverse effect on our business, results of operations and financial condition.

For a further discussion of factors that could cause our actual results to differ from our expectations, see “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 27, 163 and 299, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or

losses could materially differ from those that have been estimated.

Forward-looking statements reflect our views as of the date of this Red Herring Prospectus and are not a guarantee of future performance. These statements are based on our management's beliefs and assumptions, which in turn are based on the currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. None of our Company, Directors, the Promoter Selling Shareholders, and the BRLMs or their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. There can be no assurance to Bidders that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, Bidders are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements to be a guarantee of our future performance.

In accordance with regulatory requirements, our Company will ensure that investors in India are informed of material developments from the date of filing of this Red Herring Prospectus until the time of the grant of listing and trading permission by the Stock Exchanges. In accordance with regulatory requirements, the Promoter Selling Shareholders, severally and not jointly, will ensure that investors are informed of material developments in relation to the statements and undertakings expressly confirmed by such Promoter Selling Shareholders, as the case may be, in relation to itself as a Promoter Selling Shareholder and its respective portion of the Offered Shares, in this Red Herring Prospectus until the time of the grant of listing and trading permission by the Stock Exchanges.

## SUMMARY OF THE OFFER DOCUMENT

The following is a general summary of the terms of the Offer and is neither exhaustive, nor does it purport to contain a summary of all the disclosures in this Red Herring Prospectus or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Red Herring Prospectus, including “Risk Factors”, “Objects of the Offer”, “Our Business”, “Industry Overview”, “Capital Structure”, “The Offer”, “Restated Financial Information”, “Outstanding Litigation and Material Developments”, “Offer Procedure” and “Main Provisions of the Articles of Association” on pages 27, 97, 163, 119, 84, 68, 233, 333, 360 and 382, respectively of this Red Herring Prospectus.

|   |  |                              |  |  |           |  |                                |  |                                    |  |
|---|--|------------------------------|--|--|-----------|--|--------------------------------|--|------------------------------------|--|
| <b>Summary of the primary business of the Company</b> | We are among the leading Indian players for the manufacture of electronic sub-systems and cable harnesses in terms of manufacturing capability and revenue in Fiscal 2022 in the defence and aerospace sector ( <i>Source: Company Commissioned F&amp;S Report</i> ). We commenced operations in 2011 and have been a preferred Indian Offset Partner for foreign original equipment manufacturers for executing aerospace and defence manufacturing projects ( <i>Source: Company Commissioned F&amp;S Report</i> ). Over the years, we have expanded our manufacturing capabilities and grown our order book. As of June 30, 2022, we had 26 customers in Israel, United States, Korea and India.  |                              |  |  |           |  |                                |  |                                    |  |
| <b>Summary of the Industry</b>                        | The defence manufacturing industry in India is an integral segment of the country’s economy. India is noted to be among the top importers of defence equipment over the last five years to gain technological advantages over competing countries such as Pakistan and China. The Government of India has taken many measures to stimulate 'Make in India' operations through policy support programmes in order to modernize its armed forces and minimize reliance on overseas defence acquisition. Military modernization programs are poised to account for US\$ 130 billion in the coming five years. ( <i>Source: Company Commissioned F&amp;S Report</i> )  |                              |  |  |           |  |                                |  |                                    |  |
| <b>Name of Promoters</b>                              | Our Promoters are Dr. H.S. Raghavendra Rao, NCBG Holdings Inc. and VNG Technology Private Limited  |                              |  |  |           |  |                                |  |                                    |  |
| <b>Offer size</b>                                     | <p>The following table summarizes the details of the Offer size:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d3d3d3;">Offer of Equity Shares<sup>(1)(2)</sup></td> <td>Up to [●] Equity Shares aggregating up to ₹ 5,000.00 million</td> </tr> <tr> <td style="background-color: #d3d3d3;">of which:</td> <td></td> </tr> <tr> <td style="background-color: #d3d3d3;">(i) Fresh Issue<sup>(1)</sup></td> <td>Up to [●] Equity Shares aggregating up to ₹ 4,000.00 million</td> </tr> <tr> <td style="background-color: #d3d3d3;">(ii) Offer for Sale<sup>(2)</sup></td> <td>Up to [●] Equity Shares aggregating up to ₹ 1,000.00 million</td> </tr> </table> <p><sup>(1)</sup> The Offer has been authorised by our Board of Directors dated March 21, 2022, by our Shareholders pursuant to the resolutions passed at their meetings dated March 21, 2022, and by the IPO Committee pursuant to the resolutions passed at its meetings dated March 30, 2022, September 21, 2022, October 8, 2022, and October 13, 2022.</p> <p><sup>(2)</sup> The Promoter Selling Shareholders has specifically confirmed that the Offered Shares are eligible to be offered for sale in the Offer in accordance with the SEBI ICDR Regulations. For details on the authorisation of the Promoter Selling Shareholders in relation to the Offered Shares, see “Other Regulatory and Statutory Disclosures” beginning on page 340.</p> <p>The Offer shall constitute [●] % of the post Offer paid up Equity Share capital of our Company. For details, see “Offer Structure” and “The Offer” beginning on pages 357 and 68.</p> |                              | Offer of Equity Shares <sup>(1)(2)</sup> | Up to [●] Equity Shares aggregating up to ₹ 5,000.00 million | of which: |  | (i) Fresh Issue <sup>(1)</sup> | Up to [●] Equity Shares aggregating up to ₹ 4,000.00 million | (ii) Offer for Sale <sup>(2)</sup> | Up to [●] Equity Shares aggregating up to ₹ 1,000.00 million |
| Offer of Equity Shares <sup>(1)(2)</sup>              | Up to [●] Equity Shares aggregating up to ₹ 5,000.00 million   |                              |  |  |           |  |                                |  |                                    |  |
| of which:   |  |                              |  |  |           |  |                                |  |                                    |  |
| (i) Fresh Issue <sup>(1)</sup>                        | Up to [●] Equity Shares aggregating up to ₹ 4,000.00 million   |                              |  |  |           |  |                                |  |                                    |  |
| (ii) Offer for Sale <sup>(2)</sup>                    | Up to [●] Equity Shares aggregating up to ₹ 1,000.00 million   |                              |  |  |           |  |                                |  |                                    |  |
| <b>Objects of the Offer</b>                           | The objects for which the Net Proceeds shall be utilised are as follows:   |                              |  |  |           |  |                                |  |                                    |  |
|   | <b>Particulars</b>   | <b>Amount (in ₹ million)</b> |  |  |           |  |                                |  |                                    |  |
|   | Repayment/ prepayment, in full or part, of certain borrowings availed of by our Company  | 1,100.00                     |  |  |           |  |                                |  |                                    |  |

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
|   | Funding working capital requirements of our Company  |   | 1,600.00  |                                       |
|   | Investment in our wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses   |   | 448.83  |                                       |
|   | General corporate purposes <sup>(1)</sup>  |   | [•]   |                                       |
|   | <b>Net Proceeds</b>  |   | [•]   |                                       |
|   | <i><sup>(1)</sup> To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.</i>   |   |   |                                       |
|   | For further details see “Objects of the Offer” on page 97.   |   |   |                                       |
| <b>Aggregate pre-Offer shareholding of our Promoters and Promoter Group, and Selling Shareholders as a percentage of our paid-up Equity Share capital</b> | (a) The aggregate pre-Offer shareholding of our Promoters as a percentage of the pre-Offer paid-up Equity Share capital of the Company is set out below:   |   |   |                                       |
|   |  | <b>Name</b>   | <b>No. of Equity Shares (Pre-Offer)</b>                       |                                       |
|   |  | <b>Percentage of the pre-Offer paid-up Equity Share Capital (%)</b> |   |                                       |
|   | <b>Promoters</b>   |   |   |                                       |
|   |  | Dr. H.S. Raghavendra Rao  | 7,400,000   | 9.56                                  |
|   |  | NCBG Holdings Inc.  | 34,300,000  | 44.32                                 |
|   |  | VNG Technology Private Limited                                      | 34,300,000  | 44.32                                 |
|   |  | <b>Total</b>  | <b>76,000,000</b>   | <b>98.20</b>                          |
|   | (b) None of the member of Promoter Group (other than our Promoters) holds any Equity Shares in the Company.  |   |   |                                       |
|   | (c) The aggregate pre-Offer shareholding of the Promoter Selling Shareholders as a percentage of the pre-Offer paid-up Equity Share capital of the Company is set out below:   |   |   |                                       |
|   | <b>Name</b>  | <b>No. of Equity Shares</b>   | <b>Percentage of the pre-Offer Equity Share Capital (%)</b>   |                                       |
| <b>Promoter Selling Shareholders</b>  |  |   |   |                                       |
|   | NCBG Holdings Inc.   | 34,300,000  | 44.32   |                                       |
|   | VNG Technology Private Limited   | 34,300,000  | 44.32   |                                       |
|   | <b>Total</b>   | <b>68,600,000</b>   | <b>88.64</b>  |                                       |
| <b>Summary of Restated Financial Information</b>  | (a) The details of our Equity Share capital, total equity, net asset value per Equity Share and total borrowings as at and for the three months ended June 30, 2022 and June 30, 2021, and for the years ended March 31, 2022, March 31, 2021, and March 31, 2020, derived from the Restated Financial Information are as follows: |   |   |                                       |
|   | <i>(₹ in million, except per share data)</i>   |   |   |                                       |
|   | <b>Particulars</b>   | <b>As at and for the three month period ended<sup>^</sup></b>       | <b>As at and for the three month period ended<sup>^</sup></b> | <b>For the period ended March 31,</b> |

|                                   | June 30, 2022 | June 30, 2021 | 2022     | 2021     | 2020     |
|-----------------------------------|---------------|---------------|----------|----------|----------|
| Equity share capital              | 154.80        | 35.00         | 154.80   | 35.00    | 35.00    |
| Total Equity                      | 1,231.84      | 500.47        | 1,175.90 | 467.86   | 171.70   |
| Net Asset Value per Equity Share* | 15.92         | 7.15          | 15.19    | 6.68     | 2.45     |
| Total Borrowings                  | 4,983.22      | 1,126.23      | 5,026.20 | 1,363.79 | 1,339.77 |

\* Net Asset Value (per Equity Share) means total equity as restated divided by number of Equity Shares outstanding at the end of the year/period, as adjusted for the bonus issue of 52,500,000 Equity Shares for all the periods presented herein, as applicable.

^ Not annualized

The details of our total income, profit for the year/period and earnings per Equity Share (basic and diluted) for the three months period ended June 30, 2022, and June 30, 2021 for the Fiscals 2022, 2021, and 2020 derived from the Restated Financial Information are as follows:

(₹ in million, except per share data)

| Particulars                | As at and for the three month period ended^ | As at and for the three month period ended^ | For the period ended March 31, |          |          |
|----------------------------|---|---|--------------------------------|----------|----------|
|                            | June 30, 2022                               | June 30, 2021                               | 2022                           | 2021     | 2020     |
| Total Income               | 2,202.54                                    | 1,286.86                                    | 11,243.34                      | 6,832.42 | 4,652.29 |
| Profit for the year/period | 55.68                                       | 33.45                                       | 656.08                         | 295.58   | 97.44    |
| Earnings per share         |   |   |                                |          |          |
| - Basic                    | 0.72  | 0.48  | 9.19                           | 4.22     | 1.39     |
| - Diluted                  | 0.72  | 0.48  | 9.19                           | 4.22     | 1.39     |

^ Not annualised.

Note: Earning per share figures disclosed above are based on the Restated Financial Information of our Company, as adjusted for the bonus issue of 52,500,000 Equity Shares for all the periods presented herein, as applicable.

For details, see "Restated Financial Information" on page 233.

**Auditor's qualifications which have not been given effect to in**

There are no auditor qualifications which have not been given effect to in the Restated Financial Information.



| <b>the Restated Financial Information</b>       |  |                 |                                     |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
|---|--|-----------------|-------------------------------------|--|-------------------------------------|--|---------------------------|--|----------------|------|------|------|-----------------|----------|----------|----------------|----------|----------|-----|-----|-----|-----|---------------------|-----|---|-----|-----|-----|------|------------------|--|--|--|--|--|--|------------------|-----|-----|-----|-----|-----|-----|-------------------|-----|-----|-----|-----|-----|-----|------------------|--|--|--|--|--|--|--------------|-----|-----|-----|-----|-----|-----|-------------------|-----|-----|-----|-----|-----|-----|-------------------|--|--|--|--|--|--|---------------|-----|-----|-----|-----|-----|-----|--------------------|-----|-----|-----|-----|-----|-----|----------------------|--|--|--|--|--|--|--------------------|-----|-----|-----|-----|-----|-----|-------------------------|-----|-----|-----|-----|-----|-----|
| <b>Summary table of outstanding litigations</b> | <p>A summary of outstanding litigation proceedings involving our Company, Promoters, Subsidiary, Group Companies, and Directors, as disclosed in “<i>Outstanding Litigation and Material Developments</i>” on page 333, in terms of the SEBI ICDR Regulations and the materiality policy approved by our Board pursuant to a resolution dated March 21, 2022, as of the date of this Red Herring Prospectus is provided below:</p> <p style="text-align: right;"><i>(in ₹ million, unless otherwise specified)</i></p> <table border="1"> <thead> <tr> <th>Name of Entity</th> <th>Criminal Proceedings</th> <th>Tax Proceedings</th> <th>Statutory or Regulatory Proceedings</th> <th>Disciplinary actions by the SEBI or Stock Exchange against our promoters</th> <th>Material Civil Litigation</th> <th>Aggregate amount involved (Rs. In million)</th> </tr> </thead> <tbody> <tr> <td><b>Company</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>By the Company</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Against the Company</td> <td>Nil</td> <td>1</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>1.41</td> </tr> <tr> <td><b>Directors</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>By our Directors</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Against Directors</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td><b>Promoters</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>By Promoters</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Against Promoters</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td><b>Subsidiary</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>By Subsidiary</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Against Subsidiary</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td><b>Group Company</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>By Group Companies</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Against Group Companies</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table> | Name of Entity  | Criminal Proceedings                | Tax Proceedings  | Statutory or Regulatory Proceedings | Disciplinary actions by the SEBI or Stock Exchange against our promoters | Material Civil Litigation | Aggregate amount involved (Rs. In million) | <b>Company</b> |      |      |      |                 |          |          | By the Company | Nil      | Nil      | Nil | Nil | Nil | Nil | Against the Company | Nil | 1 | Nil | Nil | Nil | 1.41 | <b>Directors</b> |  |  |  |  |  |  | By our Directors | Nil | Nil | Nil | Nil | Nil | Nil | Against Directors | Nil | Nil | Nil | Nil | Nil | Nil | <b>Promoters</b> |  |  |  |  |  |  | By Promoters | Nil | Nil | Nil | Nil | Nil | Nil | Against Promoters | Nil | Nil | Nil | Nil | Nil | Nil | <b>Subsidiary</b> |  |  |  |  |  |  | By Subsidiary | Nil | Nil | Nil | Nil | Nil | Nil | Against Subsidiary | Nil | Nil | Nil | Nil | Nil | Nil | <b>Group Company</b> |  |  |  |  |  |  | By Group Companies | Nil | Nil | Nil | Nil | Nil | Nil | Against Group Companies | Nil | Nil | Nil | Nil | Nil | Nil |
| Name of Entity                                  | Criminal Proceedings   | Tax Proceedings | Statutory or Regulatory Proceedings | Disciplinary actions by the SEBI or Stock Exchange against our promoters | Material Civil Litigation           | Aggregate amount involved (Rs. In million)                               |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| <b>Company</b>                                  |  |                 |                                     |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| By the Company                                  | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| Against the Company                             | Nil  | 1               | Nil                                 | Nil  | Nil                                 | 1.41   |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| <b>Directors</b>                                |  |                 |                                     |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| By our Directors                                | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| Against Directors                               | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| <b>Promoters</b>                                |  |                 |                                     |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| By Promoters                                    | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| Against Promoters                               | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| <b>Subsidiary</b>                               |  |                 |                                     |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| By Subsidiary                                   | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| Against Subsidiary                              | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| <b>Group Company</b>                            |  |                 |                                     |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| By Group Companies                              | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| Against Group Companies                         | Nil  | Nil             | Nil                                 | Nil  | Nil                                 | Nil  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| <b>Risk Factors</b>                             | For details of the risks applicable to us, see “ <i>Risk Factors</i> ” on page 27. Investors are advised to read the risk factors carefully before taking an investment decision in the Offer.   |                 |                                     |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| <b>Summary table of contingent liabilities</b>  | <p style="text-align: right;"><i>(₹ in million, except per share data)</i></p> <table border="1"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="2">For the three month period ended</th> <th colspan="3">For the year ended March 31,</th> </tr> <tr> <th>June 30, 2022</th> <th>June 30, 2021</th> <th>2022</th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Bank Guarantees</td> <td>4,849.21</td> <td>4,654.59</td> <td>4,807.93</td> <td>4,104.73</td> <td>2,284.09</td> </tr> </tbody> </table>  | Particulars     | For the three month period ended    |  | For the year ended March 31,        |  |                           | June 30, 2022                              | June 30, 2021  | 2022 | 2021 | 2020 | Bank Guarantees | 4,849.21 | 4,654.59 | 4,807.93       | 4,104.73 | 2,284.09 |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| Particulars                                     | For the three month period ended   |                 | For the year ended March 31,        |  |                                     |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
|   | June 30, 2022  | June 30, 2021   | 2022                                | 2021   | 2020                                |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |
| Bank Guarantees                                 | 4,849.21   | 4,654.59        | 4,807.93                            | 4,104.73   | 2,284.09                            |  |                           |  |                |      |      |      |                 |          |          |                |          |          |     |     |     |     |                     |     |   |     |     |     |      |                  |  |  |  |  |  |  |                  |     |     |     |     |     |     |                   |     |     |     |     |     |     |                  |  |  |  |  |  |  |              |     |     |     |     |     |     |                   |     |     |     |     |     |     |                   |  |  |  |  |  |  |               |     |     |     |     |     |     |                    |     |     |     |     |     |     |                      |  |  |  |  |  |  |                    |     |     |     |     |     |     |                         |     |     |     |     |     |     |

For details of the contingent liabilities, see “Restated Financial Information – Note 34- Contingent liabilities, contingent assets and commitments ”on page 275.

**Summary of related party transactions**

The details of related party transactions of our Company for the three months period ended June 30, 2022, and June 30, 2021 and for the fiscal years ended March 31, 2022, March 31, 2021, and March 31, 2020, as per Ind AS 24 – Related Party Disclosures, read with the SEBI ICDR Regulations, derived from the Restated Financial Information, are set forth in the table below:

(in ₹ million)

| S. No              | Related parties                            | Nature of transactions   | As on June 30, 2022 (consolidated) | As on June 30, 2021 (standalone) | As on 31 March 2022 (consolidated) | As on 31 March 2021 (Standalone) | As on 31 March 2020 (Standalone) |
|--------------------|--|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|
| <b>Purchase</b>    |  |  |                                    |                                  |                                    |                                  |                                  |
| 1                  | M/S DCX Chol Enterprises Inc               | Import of varieties of connectors, wires, sleeves, back shells required cable and wire harness | 3.82                               | -                                | 35.58                              | 4.75                             | 19.29                            |
| 2                  | M/S RNSE-TRONICS Pvt Ltd                   | Purchases of Electronic components   | 555.22                             | 107.79                           | 2,783.82                           | 3,293.45                         | -                                |
| 3                  | M/S Vinyas Innovative Technologies Pvt Ltd | Purchases of Printed circuit board assemblies  | -                                  | 12.25                            | -                                  | 967.72                           | 292.89                           |
| <b>Sales</b>       |  |  |                                    |                                  |                                    |                                  |                                  |
| 4                  | M/S DCX Chol Enterprises Inc               | Export of Cable and wire harness assemblies  | 0.01                               | -                                | 0.01                               | 11.94                            | 9.68                             |
| 5                  | M/S Vinyas Innovative Technologies Pvt Ltd | Sale of cable and wire harness   | -                                  | 0.13                             | -                                  | 0.91                             | 0.87                             |
| <b>Expenditure</b> |  |  |                                    |                                  |                                    |                                  |                                  |
| 6                  | Mr. H.S. Raghavendra Rao                   | Salary   | 5.72                               | 3.90                             | 29.20                              | 8.88                             | 11.10                            |

|              |                              |   |        |        |          |          |        |
|--------------|------------------------------|---|--------|--------|----------|----------|--------|
| 7            | Mr. Anand S                  | Salary                                  | 0.65   |        | 1.73     | -        | -      |
| 8            | Mr.R.Sankarakrishnan         | Professional Fee                        | -      |        | 1.25     | -        | -      |
| 9            | Mr.R.Sankarakrishnan         | Salary                                  | 0.84   |        | 0.53     | -        | -      |
| 10           | Ravi Kumar E                 | Salary                                  | -      |        | -        | 3.60     | 3.27   |
| 11           | K R Premkumar                | Salary                                  | -      |        | -        | 3.81     | 4.17   |
| 12           | M/S DCX Chol Enterprises Inc | Equipment lease rent provision reversed | -      |        | -        | -        | 10.51  |
| 13           | M/S DCX Chol Enterprises Inc | Reimbursement of expenses               | -      |        | 1.70     | 1.71     | 3.24   |
| 14           | M/S DCX Chol Enterprises Inc | Equipment purchase                      | -      | -      | -        | -        | 25.56  |
| 15           | Ranga K S                    | Salary                                  | 1.15   | -      | 1.26     | -        | -      |
| 16           | Shiva Kumara R               | Salary                                  | 1.01   | -      | 1.88     | -        | -      |
| 17           | Prasanna Kumar T S           | Salary                                  | 0.75   | -      | 2.70     | -        | -      |
| 18           | Nagaraj R Dhavaskar          | Salary                                  | 0.30   | -      | 0.35     | -        | -      |
| 19           | Pramod. B                    | Salary                                  | 0.65   | -      | 1.30     | -        | -      |
| 20           | G S Manjunath                | Salary                                  | 0.40   | -      | 1.38     | -        | -      |
| 21           | Kiran Kumar K S              | Salary                                  | 0.45   | -      | 1.40     | -        | -      |
| 22           | Atul D Mutthe                | Salary                                  | 0.27   | -      | 0.43     | -        | -      |
| 23           | Rajanikanth K N              | Salary                                  | 0.35   | -      | 1.30     | -        | -      |
| <b>TOTAL</b> |                              |   | 571.59 | 124.07 | 2,865.82 | 4,296.77 | 380.58 |

|   | For details of the related party transactions, see “ <i>Restated Financial Information – Note 36 – Related Party Disclosures</i> ” on page 276.   |   |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
|---|---|---|-----------------------|----------------------------------|---|------|---|---|--|-----------------------|----------------------------------|---|-----------------|------|--------------------------------------|--|--|---------------------|------------|--------------------------|---------------------------------|-------------------|----------------------|--------|----|--|------------------|--------------|----------------------|--------|
| <b>Details of all financing arrangements whereby the Promoters, members of the Promoter Group, directors of our Corporate Promoters, our Directors and their relatives have financed the purchase by any other person of securities of the Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of the Draft Red Herring Prospectus and this Red Herring Prospectus</b> | Our Promoters, members of our Promoter Group, directors of our Corporate Promoters, our Directors, and their relatives have not financed the purchase by any person of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of the Draft Red Herring Prospectus and this Red Herring Prospectus.  |   |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| <b>Weighted average price at which the specified securities were acquired by our Promoters and Selling Shareholders, in the last one year</b>   | Except as disclosed below, our Promoters and Selling Shareholders have not acquired any specified securities in the one year preceding the date of this Red Herring Prospectus.   |   |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
|   | <table border="1"> <thead> <tr> <th>Name</th> <th>Number of Equity Shares acquired in last one year</th> <th>Weighted average cost of acquisition per Equity Share<sup>#</sup> (in ₹)</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Promoter</b></td> </tr> <tr> <td>Dr. H.S. Raghavendra Rao</td> <td>7,400,000</td> <td>7.05</td> </tr> <tr> <td colspan="3"><b>Promoter Selling Shareholders</b></td> </tr> <tr> <td>NCBG Holdings Inc.*</td> <td>25,725,000</td> <td>Nil<sup>^</sup></td> </tr> <tr> <td>VNG Technology Private Limited*</td> <td>26,775,000</td> <td>Nil<sup>^</sup></td> </tr> </tbody> </table>                                    |   |                       |                                  |   | Name | Number of Equity Shares acquired in last one year | Weighted average cost of acquisition per Equity Share <sup>#</sup> (in ₹) | <b>Promoter</b>                                |                       |                                  | Dr. H.S. Raghavendra Rao                  | 7,400,000       | 7.05 | <b>Promoter Selling Shareholders</b> |  |  | NCBG Holdings Inc.* | 25,725,000 | Nil <sup>^</sup>         | VNG Technology Private Limited* | 26,775,000        | Nil <sup>^</sup>     |        |    |  |                  |              |                      |        |
| Name  | Number of Equity Shares acquired in last one year   | Weighted average cost of acquisition per Equity Share <sup>#</sup> (in ₹) |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| <b>Promoter</b>   |   |   |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| Dr. H.S. Raghavendra Rao  | 7,400,000   | 7.05  |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| <b>Promoter Selling Shareholders</b>  |   |   |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| NCBG Holdings Inc.*   | 25,725,000  | Nil <sup>^</sup>  |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| VNG Technology Private Limited*   | 26,775,000  | Nil <sup>^</sup>  |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
|   | <sup>^</sup> Equity Shares were allotted pursuant to bonus issue as approved by the resolution of the Shareholders passed in the extra ordinary general meeting held on January 27, 2022. For details, see “ <i>Capital Structure</i> ” on page 84.<br>*Corporate Promoters of the Company.<br><sup>#</sup> As certified by M/s NBS & Co., Chartered Accountants pursuant to their certificate dated October 19, 2022   |   |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| <b>Details of price at which specified securities were acquired by our Promoters, the members of the Promoter Group, the Selling Shareholders, and Shareholders with special rights in the last</b>   | <table border="1"> <thead> <tr> <th>S. No.</th> <th>Name of the acquirer/shareholder</th> <th>Date of acquisition/allotment of Equity Shares</th> <th>Nature of Transaction</th> <th>Number of Equity Shares acquired</th> <th>Acquisition price per Equity Share (in ₹)</th> </tr> </thead> <tbody> <tr> <td colspan="6"><b>Promoter</b></td> </tr> <tr> <td>1.</td> <td>Dr. H.S. Raghavendra Rao</td> <td>January 20, 2022</td> <td>Private Placement</td> <td>100,000<sup>^</sup></td> <td>141.00</td> </tr> <tr> <td>2.</td> <td></td> <td>January 24, 2022</td> <td>Rights Issue</td> <td>270,000<sup>^</sup></td> <td>141.00</td> </tr> </tbody> </table> |   |                       |                                  |   |      | S. No.  | Name of the acquirer/shareholder  | Date of acquisition/allotment of Equity Shares | Nature of Transaction | Number of Equity Shares acquired | Acquisition price per Equity Share (in ₹) | <b>Promoter</b> |      |                                      |  |  |                     | 1.         | Dr. H.S. Raghavendra Rao | January 20, 2022                | Private Placement | 100,000 <sup>^</sup> | 141.00 | 2. |  | January 24, 2022 | Rights Issue | 270,000 <sup>^</sup> | 141.00 |
| S. No.  | Name of the acquirer/shareholder  | Date of acquisition/allotment of Equity Shares                            | Nature of Transaction | Number of Equity Shares acquired | Acquisition price per Equity Share (in ₹) |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| <b>Promoter</b>   |   |   |                       |                                  |   |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| 1.  | Dr. H.S. Raghavendra Rao  | January 20, 2022  | Private Placement     | 100,000 <sup>^</sup>             | 141.00                                    |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |
| 2.  |   | January 24, 2022  | Rights Issue          | 270,000 <sup>^</sup>             | 141.00                                    |      |   |   |  |                       |                                  |   |                 |      |                                      |  |  |                     |            |                          |                                 |                   |                      |        |    |  |                  |              |                      |        |

|  |   |  |   |  |                      |        |  |
|--|---|--|---|--|----------------------|--------|--|
| three years preceding the date of this Red Herring Prospectus  | 3.  |  | January 27, 2022  | Bonus Issue  | 5,550,000            | NA     |  |
|  | <b>Promoter Selling Shareholder</b>   |  |   |  |                      |        |  |
|  | 4.  | NCBG Holdings Inc.*                                  | June 29, 2021   | Transfer from Dinesh Poonamchand Shah                                    | 804,850 <sup>^</sup> | 229.43 |  |
|  | 5.  |  | June 29, 2021   | Transfer from Jyotivadan Occhavlal Sheth                                 | 150 <sup>^</sup>     | 229.43 |  |
|  | 6.  |  | January 27, 2022  | Bonus Issue  | 25,725,000           | NA     |  |
|  | 7.  | VNG Technology Private Limited*                      | January 27, 2022  | Bonus Issue  | 26,775,000           | NA     |  |
|  | <sup>^</sup> Equity shares of face value of ₹ 10 per equity share<br>*Corporate Promoters of the Company. |  |   |  |                      |        |  |
| None of the Shareholders have a right to nominate directors on the Board or have other special rights in the Company. No Equity Shares have been allotted to any member forming part of the Promoter Group (other than our Promoters) in last three years preceding the date of this Red Herring Prospectus.   |   |  |   |  |                      |        |  |
| Details of weighted average cost of acquisition of all shares transacted over the trailing one year and three years preceding the date of this Red Herring Prospectus  | <b>Period</b>   | <b>Weighted Average Cost of Acquisition (in Rs.)</b> | <b>Cap Price is 'X' times the Weighted Average Cost of Acquisition</b>                          | <b>Range of acquisition price: Lowest Price – Highest Price (in Rs.)</b> |                      |        |  |
|  | Last 1 year   | 1.01   | [●]   | Nil <sup>^</sup> – 28.20*  |                      |        |  |
|  | Last 3 years  | 3.78   | [●]   | Nil <sup>^</sup> – 45.89*  |                      |        |  |
| <sup>^</sup> The acquisition price of NIL represents Equity Shares that were allotted pursuant to bonus issue as approved by the resolution of the Shareholders passed in the extra ordinary general meeting held on January 27, 2022. For details, see “Capital Structure” on page 84.<br>* Pursuant to the Shareholders’ resolution dated January 25, 2022, each full paid-up equity share of our Company of face value of ₹ 10 was sub-divided into five Equity Shares of our Company of face value of ₹ 2 each. Range of acquisition price is adjusted for aforesaid split of equity shares. |   |  |   |  |                      |        |  |
| Details of weighted average cost of acquisition of all shares transacted over the trailing 18 months preceding the date of this Red Herring Prospectus   | <b>Period</b>   | <b>Weighted Average Cost of Acquisition (in Rs.)</b> | <b>Upper End of the Price Band is 'X' times the Weighted Average Cost of Acquisition (in ₹)</b> | <b>Range of acquisition price: Lowest Price – Highest Price (in Rs.)</b> |                      |        |  |
|  | Last 18 months  | 3.78   | [●]   | Nil <sup>^</sup> – 45.89*  |                      |        |  |
| The acquisition price of NIL represents Equity Shares that were allotted pursuant to bonus issue as approved by the resolution of the Shareholders passed in the extra ordinary general meeting held on January 27, 2022. For details, see “Capital Structure” on page 84.<br>* Pursuant to the Shareholders’ resolution dated January 25, 2022, each full paid-up equity share of our Company of face value of ₹ 10 was sub-divided into five Equity Shares of our Company of face value of ₹ 2 each. Range of acquisition price is adjusted for aforesaid split of equity shares.              |   |  |   |  |                      |        |  |
| Average cost of acquisition of shares of our Promoters and the Selling Shareholders  | The average cost of acquisition of Equity Shares held by our Promoters is as follows:                     |  |   |  |                      |        |  |
|  | <b>Name of the Promoter</b>   | <b>Number of Equity Shares</b>                       | <b>Percentage of shareholding (%)</b>   | <b>Average cost of acquisition per Equity Share (in ₹)<sup>#</sup></b>   |                      |        |  |
|  | <i>Promoter (Individual)</i>  |  |   |  |                      |        |  |
|  | Dr. H.S. Raghavendra Rao  | 7,400,000  | 9.56  | 7.05   |                      |        |  |
|  | <i>Promoter Selling Shareholders</i>  |  |   |  |                      |        |  |
| NCBG Holdings Inc.*  | 34,300,000  | 44.32  | 5.65  |  |                      |        |  |

|   |   |            |       |      |
|---|---|------------|-------|------|
|   | VNG Technology Private Limited*   | 34,300,000 | 44.32 | 0.50 |
|   | *Corporate Promoters of the Company<br># As certified by M/s NBS & Co., Chartered Accountants pursuant to their certificate dated October 19, 2022  |            |       |      |
| <b>Size of the pre-IPO placement and allottees, upon completion of the placement</b>            | Our Company has not allotted any shares under a pre-IPO placement.  |            |       |      |
| <b>Any issuance of Equity Shares in the last one year for consideration other than cash</b>     | Our Company has not issued any Equity Shares in the last one year from the date of this Red Herring Prospectus, for consideration other than cash. However, our Company has issued and allotted 58,050,000 Equity Shares as a bonus issue in the ratio of 3 Equity Shares for every 1 Equity Share to Shareholders as on January 26, 2022, through the capitalisation of the share premium account and free reserves of our Company pursuant to resolution of the shareholders passed in the extra ordinary general meeting held on January 27, 2022. For details, see “ <i>Capital Structure</i> ” on page 84. |            |       |      |
| <b>Any split/consolidation of Equity Shares in the last one year</b>                            | Pursuant to the Shareholders’ resolution dated January 25, 2022, each full paid-up equity share of our Company of face value of ₹ 10 was sub-divided into five Equity Shares of our Company of face value of ₹ 2 each. For details, see “ <i>Capital Structure</i> ” on page 85.  |            |       |      |
| <b>Exemption from complying with any provisions of securities laws, if any, granted by SEBI</b> | Our Company has not been granted any exemption from complying with any provisions of securities laws by SEBI, as on the date of this Red Herring Prospectus   |            |       |      |

## SECTION II – RISK FACTORS

*An investment in equity shares involves a high degree of risk. Investors should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only ones relevant to us, our Equity Shares, or the industry in which we operate or to India and other jurisdictions we operate in. Additional risks and uncertainties, not currently known to us or that we currently do not deem material may also adversely affect our business, results of operations, cash flows and financial condition. If any of the following risks, or other risks that are not currently known or are not currently deemed material, actually occur, our business, results of operations, cash flows and financial condition could be adversely affected, the price of our Equity Shares could decline, and investors may lose all or part of their investment. To the extent the novel coronavirus (“COVID-19”) pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section. In order to obtain a complete understanding of our Company and our business, prospective investors should read this section in conjunction with “Our Business”, “Industry Overview”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Restated Financial Information” on pages 163, 119, 299 and 233, respectively, as well as the other financial and statistical information contained in this Red Herring Prospectus. In making an investment decision, prospective investors must rely on their own examination of us and our business and the terms of the Offer including the merits and risks involved.*

*Prospective investors should consult their tax, financial and legal advisors about the particular consequences of investing in the Offer. Unless specified or quantified in the relevant risk factors below, we are unable to quantify the financial or other impact of any of the risks described in this section. Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries.*

*This Red Herring Prospectus also contains certain forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ from those anticipated in these forward looking statements as a result of certain factors, including the considerations described below and elsewhere in this Red Herring Prospectus. For further information, see “Forward-Looking Statements” on page 16.*

*The consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 are not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021 given that we did not have any subsidiary in such prior periods. Further, unless otherwise indicated or the context otherwise requires, all operational information included herein for Fiscals 2020 and 2021 and the three months ended June 30, 2021 is on a standalone basis, while all such information for the three months ended June 30, 2022 and Fiscal 2022 is on a consolidated basis. For further information, see “Restated Financial Information” on page 233.*

*Unless otherwise indicated, industry and market data used in this section has been derived from the industry report titled “The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment” dated September 19, 2022 (“**Company Commissioned F&S Report**”) prepared and issued by Frost & Sullivan (India) Private Limited, appointed by us on January 7, 2022, and exclusively commissioned and paid for by us for the purposes of confirming our understanding of the industry, exclusively in connection with the Offer. A copy of the Company Commissioned F&S Report is available on the website of our Company at <https://dcxindia.com/investors>. The data included herein includes excerpts from the Company Commissioned F&S Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Offer), that has been left out or changed in any manner. Unless otherwise indicated, financial, operational, industry and other related information derived from the Company Commissioned F&S Report and included herein with respect to any particular year refers to such information for the relevant calendar year. Also see, “Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data” on page 13.*

### **Internal Risks**

- 1. Our business is dependent on the sale of our products and services to our key customers. Our top three customers accounted for 73.26%, 86.90%, 80.55%, 85.70% and 96.83% of our revenue from operations in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, respectively. The loss of one or more such customers or a reduction in their demand for our products could adversely affect our business, results of operations, financial condition and cash flows.***

We are dependent on a limited number of key customers and in particular ELTA Systems Limited and Israel Aerospace Industries Limited, System Missiles and Space Division (together, the “IAI Group”), for a significant portion of our revenues. We are also one of the largest Indian Offset Partner (“IOP”) for the IAI Group, Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. (Source: Company Commissioned F&S Report)

The table below sets forth details of our revenue from operations from our top three and top 10 customers in the periods indicated:

| Customer Concentration | Fiscal                |  |                       |  |                        |  | Three Months Ended June 30, |  |                        |  |
|------------------------|-----------------------|--|-----------------------|--|------------------------|--|-----------------------------|--|------------------------|--|
|                        | 2020<br>(Standalone)  |  | 2021<br>(Standalone)  |  | 2022<br>(Consolidated) |  | 2021<br>(Standalone)        |  | 2022<br>(Consolidated) |  |
|                        | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from<br>Operations | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from<br>Operations | Amount<br>(₹ million)  | Percentage<br>of Revenue<br>from<br>Operations | Amount<br>(₹ million)       | Percentage<br>of Revenue<br>from<br>Operations | Amount<br>(₹ million)  | Percentage<br>of Revenue<br>from<br>Operations |
| Top 3 Customers        | 3,291.34              | 73.26%   | 5,571.40              | 86.90%   | 8,879.04               | 80.55%   | 1,053.34                    | 85.70%   | 2,065.03               | 96.83%   |
| - Customer1            | 1,881.23              | 41.87%   | 3,606.09              | 56.24%   | 6,130.71               | 55.62%   | 560.72                      | 45.62%   | 992.03                 | 46.52%   |
| - Customer2            | 787.45                | 17.53%   | 1,172.91              | 18.29%   | 1,422.39               | 12.90%   | 301.90                      | 24.56%   | 753.05                 | 35.31%   |
| - Customer3            | 622.66                | 13.86%   | 792.40                | 12.36%   | 1,325.94               | 12.03%   | 190.72                      | 15.52%   | 319.95                 | 15.00%   |
| Top 10 Customers       | 4,384.96              | 97.60%   | 6,349.61              | 99.03%   | 10,990.63              | 99.71%   | 1,229.14                    | 100.00%  | 2,132.50               | 100.00%  |

Since, we are dependent on certain select customers for the majority of our revenue, the reduction in the amount of business we obtain from our customers whether due to circumstances specific to such customers, such as pricing pressures, an inability on our part to manufacture the products in a timely manner, slowdown in requirement of our products on account of change in delivery schedule from the end customers of our customers, changes in government policies, not matching the quality and quantity standards expected from us by our customers or adverse market conditions affecting our supply chain or the economic environment generally, such as the COVID-19 pandemic, could have an adverse effect on our business, results of operations, financial condition and cash flows. While we continue to maintain long-term relationships with our OEM customers, we do not enter into any long-term purchase arrangements with such customers other than our arrangement with ELTA Systems Limited and instead undertake work on a purchase order basis. In addition, any adverse development with such customers, including because of any dispute with, or disqualification by, such major customers, may result in us experiencing significant reduction in our cash flows and liquidity. If our customers are able to fulfil their requirements through any of our existing or new competitors, who may provide them with products of better quality and/or cheaper cost, we may lose significant portion of our business. Additionally, consolidation of any of our customers may also adversely affect our existing relationships and arrangements with such customers, and any of our customers that are acquired may cease to continue the businesses that require products manufactured by us. Further, in the event of loss of one or more sets of customers on whom we are dependent for our business, we cannot assure you that we may be able to offset such loss of business by entering into contracts with new customers or our existing customers.

The deterioration of the financial condition or business prospects of these customers could also reduce their requirement for our products and result in a significant decrease in the revenues we derive from these customers.

- Our revenue from operations depends significantly on offset defence contracts. Any changes in the offset defence policy or a decline or reprioritisation of funding in the Indian defence budget, or delays in the budget process could adversely affect our ability to grow or maintain our sales, earnings, and cash flow.***

A significant portion of our revenue from operations are generated from the offset defence contracts. In Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2021 and June 30, 2022, our revenue from the offset defence contracts was ₹ 4,331.35 million, ₹ 6,014.89 million, ₹ 9,565.13 million, ₹ 1,038.30 million and ₹ 1,376.39 million, respectively representing 97.86%, 94.23%, 87.00%, 84.47% and 64.54% of our total revenue from sale of products and services, respectively in such periods. We expect to continue to derive most of our revenue from operations from work performed under such offset contracts. Any changes in the government policy in connection with offset defence contracts could have an adverse impact on our sales, earnings and cash flows.



For example, under the Defence Acquisition Procedure 2020 (“**DAP 2020**”), provisions on offsets would be applicable to ‘Buy (Global)’ categories of procurement, where the estimated acceptance on necessity cost is ₹ 20,000 million or more. Indian vendors, participating in the ‘Buy (Global)’ categories of procurement, who achieve 30% indigenous content in ‘Buy (Global)’ category do not have to discharge their offset obligations. The DAP 2020 further exempts defence procurement through inter-governmental agreements, foreign military sales and *ab initio* single vendor cases from the offset obligation which is a deviation from the previous defence acquisition procedure. Additionally, the Defence Acquisition Council may also consider a partial or full waiver of the offset obligations.

Further, even in cases where offset is triggered, the avenues for discharging them have been reduced. The ‘investment in kind’ avenue in terms of provision of equipment through the non-equity route, which was introduced in the DPP-2013, no longer remains a valid avenue. For further information, see “*Key Regulations and Policies in India*” on page 191.

**3. Our current order book may not necessarily translate into future income in its entirety. Some of our current orders which we have received may be modified, cancelled, delayed, put on hold or not fully paid for by our customers, which could adversely affect our results of operations.**

As many of the contracts that we enter into are executed over a period of several years, at any given time we have an order book. Our Company’s order book has increased from ₹ 19,413.11 million, as of March 31, 2020, to ₹ 23,690.04 million, as of March 31, 2022. As of June 30, 2022, our order book was ₹ 25,636.34 million with orders from several customers for projects to be executed between Fiscal 2023 and Fiscal 2025. The growth of our order book is a cumulative indication of the revenues that we expect to recognise in future periods in relation to signed contracts. Further, we cannot guarantee that the income anticipated in our order book will be realised, or, if realised, will be realised on time or result in profits. In addition, our order book depends on the continued growth of the aerospace and defence sector globally and in India and our ability to remain competitive. Our existing order book and our growth rate may not be indicative of the number of orders we will receive or our growth in the future. Our order book only represents business that is considered firm, although this is subject to, among other things, cancellation or early termination because of a breach by us of our contractual obligations, non-payment by our customers, a delay in the initiation of our customers’ projects, unanticipated variations or adjustments in the scope and schedule of our obligations for reasons outside our and our customers’ control or change in budget appropriations which affect our customers. As any of the above occurrences may adversely impact and reduce the order book position, we cannot guarantee that the income anticipated in our order book will be realised, or, if realised, will be realised on time or result in profits. Also see, “*Our Business – Order Book*” on page 182.

**4. Significant shortages of, or delay or disruption in the supply of raw materials could affect our estimated costs, expenditures and timelines which may have a material adverse effect on our business, financial condition, results of operations and cash flows.**

Our operations are dependent on the availability of raw materials that we require for the manufacture of our products in the defence and the aerospace industry. Our primary raw materials are electronic assemblies and sub-systems such as printed circuit board assemblies, power supplies, integrated circuits, cables and wires, connectors, integrated circuits and mechanical enclosures. We typically source our raw materials from suppliers approved by our customers.

We have from time-to-time experienced cost fluctuations of our raw materials, particularly in the aforementioned components due to volatility in the commodity markets. Since the selling prices of our products are affected by the prices of our raw materials, strong and rapid fluctuations in the prices of these raw materials and the inability to pass on the cost increase to our customers could negatively affect our operating results. We typically do not enter into long-term agreements with our suppliers, other than for the contract period of the project under the purchase order. We typically pay in advance to our suppliers for procuring raw materials.

The table below sets forth details of our supplier concentration in the periods indicated:

| Supplier concentration (%) | Fiscal       |              |                | Three months ended June 30, |                | Average Relationship Period (Years) |
|----------------------------|--------------|--------------|----------------|-----------------------------|----------------|-------------------------------------|
|                            | 2020         | 2021         | 2022           | 2021                        | 2022           |                                     |
|                            | (Standalone) | (Standalone) | (Consolidated) | (Standalone)                | (Consolidated) |                                     |
| Top 1                      | 25.92%       | 46.77%       | 33.70%         | 40.29%                      | 25.50%         | 4                                   |
| Top 5                      | 85.00%       | 93.11%       | 85.78%         | 85.10%                      | 90.52%         | 6                                   |
| Top 10                     | 98.38%       | 98.12%       | 95.54%         | 95.24%                      | 96.77%         | 6                                   |
| Top 15                     | 99.20%       | 99.05%       | 98.52%         | 97.47%                      | 97.87%         | 6                                   |

Further, in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, our cost of materials consumed was ₹ 4,311.78 million, ₹ 6,604.35 million, ₹ 9,293.43 million, ₹ 584.04 million and ₹ 1,901.27 million and accounted for 92.68%, 96.66%, 82.66%, 45.38% and 86.32%, respectively, of our total income in such periods. For further information in relation to our supplier concentration, see “*Our Business – Raw Materials*” on page 183.

The supply of these raw materials is also affected by, among others, general economic conditions, competition, production costs and levels, transportation costs, indirect taxes and import duties, tariffs and currency exchange rate. Further, as we source our raw materials from suppliers approved by our customers, our supply chain may be interrupted by circumstances beyond our control. Poor quality roads and other transportation-related infrastructure problems, inclement weather and road accidents may disrupt the transportation of raw materials. Due to the nature of defence and aerospace business vertical, a certificate of conformance for all the components used in our products is required. We also maintain records with information on batch name and other information to allow defect investigation and rectification. Further, we rely on the constant supply of semiconductors which relies on a global supply chain to manufacture our products. Due to shortage of labour, local restrictions impacting the transport and logistics arising due to COVID-19 has contributed to a bottleneck in supply for the semiconductor industry which is expected to continue in near future. In addition, the ongoing conflict in Ukraine may impact the supply chain for certain of the raw materials including electronic components that are used in our products. As on the date of this Red Herring Prospectus, though we have not experienced any impact on the supply of raw materials from our suppliers, however, there can be no assurance that any such disruption will not occur in the future and that such disruptions will not be material.

We have experienced instances of shortages of raw materials in a limited manner which did not have any material impact on our operations. During such periods of shortages in raw materials, we may not be able to manufacture our products according to our pre-determined time frames, at our previously estimated product costs, or at all, which may adversely affect our business, results of operations, cash flows and reputation.

**5. *We are yet to place orders for the capital expenditure requirements of our Subsidiary, Raneal Advanced Systems Private Limited. There is no assurance that we would be able to source such capital expenditure requirements in a timely manner or at commercially acceptable prices, which could adversely affect our expansion plans.***

Our Company proposes to utilise ₹ 448.83 million towards funding the capital expenditure of our wholly owned Subsidiary, Raneal Advanced Systems Private Limited (“RASPL”). For further information, see “*Objects of the Offer*” on page 103. We have not entered into any definitive agreements to utilize the Net Proceeds for setting up the facility and have relied on the quotations received from third parties for estimation of the cost of the machinery and other equipment required. While we have obtained the quotations from various vendors in relation to such capital expenditure, most of these quotations are valid for a certain period of time and may be subject to revisions, and other commercial and technical factors. Further, the quotations obtained from vendors are exclusive of taxes and any increase in tax rates or any adverse change in tax policies or regulations may lead to increase in cost of machinery and other equipment. We cannot assure you that we will be able to undertake such capital expenditure within the cost indicated by such quotations, that there will not be cost escalations and that we would be able to procure such equipment in a timely manner or at commercially acceptable prices, or that we will complete our expansion works within the estimated timelines, and if not, obtain extensions for the quotations at reasonable cost to us, if at all. Further, our Subsidiary, RASPL, proposes to utilize ₹ 30.00 million out of the amount proposed to be invested in it by our Company towards the land required for setting up the EMS Facility. The land (Plot No. 177 and 178) has been identified for setting up of facility in SEZ Aerospace Park, Devanahalli, Bengaluru over an area measuring one acre. RASPL has not yet undertaken the relevant steps to apply to the authorities to obtain the property on lease, amongst other approvals required for setting up the EMS Facility, and will do so in due course in accordance with applicable laws. We cannot assure you that RASPL will be able to procure lease in a timely manner or at commercially acceptable prices or terms and conditions, and any delay in procurement of land for setting up an EMS facility could lead to time or cost overrun. This could adversely affect our expansion plans and consequently, our business and results of operations.

We cannot assure you that we will be able to obtain the approvals from the regulatory authorities in a timely manner or at all and any delays in getting the required approvals could give rise to cost overruns and delays in our implementation schedules. Further, there could be delays in setting up the proposed EMS facility through RASPL, as a result of, among other things, contractors’ failing to perform, unforeseen engineering problems, disputes with workers, or force majeure events or other factors beyond control of the Company, any of which could give rise to

cost overruns and delays in our implementation schedule. If the proposed project is subject to time and/or cost overruns, it could have an adverse effect on our business, results of operations, financial condition and growth prospects. We cannot assure you that we will be able to undertake such capital expenditure within the cost indicated by such quotations or that there will not be cost escalations. For further information, see “*Objects of the Offer – Details of the Objects of the Fresh Issue*” on page 99.

Further, as on the date of this Red Herring Prospectus, RASPL is in the process of setting up an additional manufacturing facility for EMS at our Company’s existing premises at Plot no. 107, 29 and 30 of Aerospace SEZ Park, Devanahalli, Bengaluru (“**Additional Facility**”) which will have facilities for design, development, manufacturing, qualification and life cycle support of electronic and electro – mechanical systems used in Aerospace and Defence, Medical Electronics and Industrial Electronics application. The entire cost for setting up this Additional Facility is arranged by way of a term loan obtained by the RASPL and from internal accruals of our Company which have been invested in the equity shares of RASPL and is not proposed to be funded from the Net Proceeds. RASPL is in the process of obtaining the approvals and permissions required for setting up the Additional Facility, *inter-alia*, application made to KIADB and SEZ authority for seeking their approval for the construction of the Additional Facility. Once the approvals from the KIADB and SEZ are obtained, RASPL will commence the construction of the Additional Facility. As of the date of this Red Herring Prospectus, the approvals required for setting up the Additional Facility including permission from KIADB and SEZ authority are pending. We cannot assure you that we will be able to obtain the approvals from the regulatory authorities in a timely manner or at all and any delays in getting the required approvals could give rise to cost overruns and delays in our implementation schedules. While RASPL has placed orders with the vendors for certain of the equipment required for the operations of the Additional Facility, we cannot assure you that such equipment will be delivered on time in accordance with the schedule as agreed with the vendors which could give rise to cost overruns and delays.

**6. *We are dependent on the performance of the electronic subsystems market. Any adverse changes in the conditions affecting the electronic subsystems market can adversely impact our business, financial condition, results of operations, cash flows and prospects.***

We derive a significant portion of our revenue from operations from our system integration business which involves the manufacture and supply of electronic sub-systems involved in the defence and aerospace sector. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021, and June 30, 2022, revenue from operations from our system integration vertical (including Merchandise Exports from India Scheme incentives received) was ₹ 3,717.65 million, ₹ 6,160.67 million, ₹ 9,398.65 million, ₹ 1,081.05 million and ₹ 2,055.02 million and accounted for 82.75%, 96.09%, 85.27%, 87.95% and 96.36%, respectively of our total revenue from operation in such periods. As a result, our business and financial condition are heavily dependent on the performance of the electronic sub-systems market for the defence and aerospace sector globally and in India and we are exposed to fluctuations in the performance of these markets. In the event of a decrease in demand for electronic sub-systems in India or abroad, we will experience pronounced effects on our business, results of operations, financial condition, cash flows and prospects.

The electronic sub-systems market may be affected by, among others, changes in government policies, government initiatives, economic conditions, income levels and interest rates, which may negatively affect the demand for and the valuation of our products. These and other factors may materially adversely affect our business, financial condition, results of operations and cash flows.

**7. *We rely on the continued operations of our manufacturing facility and any slowdown, shutdown or disruption in our manufacturing facility may be caused by natural and other disasters causing unforeseen damages which may lead to disruptions in our business and operations could have an adverse effect on our business, results of operations, financial condition and cash flows.***

We operate a single facility in Hi-Tech Defence and Aerospace Park, SEZ, Bengaluru, Karnataka which is situated over an area of 30,000 square feet. Our business is dependent upon our ability to manage our manufacturing facility since all of our revenues are generated from this facility, which is subject to various operating risks, including political instability, the productivity of our workforce, compliance with regulatory requirements, difficulties with production costs and yields, product quality, as well as risks due to events beyond our control, such as the breakdown and failure of equipment or industrial accidents, disruption in electrical power or water resources, severe weather conditions, natural disasters and an outbreak of infectious disease such as COVID-19. Any significant social, political or economic disruption or natural calamities or civil disruptions or changes in the policies of the state government could require us to incur significant capital expenditure, change our business strategy and may materially affect our business, results of operations, financial condition and cash flows. Any

significant malfunction or breakdown of our machinery may entail significant repair and maintenance costs and cause delays in our operations. Our inability to effectively respond to any shutdown or slowdown and rectify any disruption, in a timely manner and at an acceptable cost, could lead to delays in the entire production cycle and an inability to comply with our customers' requirements and lead to loss of revenue to us and our customers.

**8. *We may not be able to obtain furnished equipment required for testing and qualifying the products from the customers which may have a material adverse effect on our business, results of operations and financial condition.***

We are dependent on our customers to supply the furnished equipment required for testing and qualifying our manufactured products on the existing system integration projects. As of June 30, 2022, we held ₹ 932.36 million worth of equipment provided to us by our customers, and such furnished equipment can be used for other future projects and any other project with a third party in which such customer is a common partner with their prior written approval. In the event, our customers call back the testing equipment, we may be unable to adequately finance our equipment testing and machinery requirements on account of various factors, including extraneous factors such as delay in disbursements under our financing arrangements, increased interest rates, insurance or other costs, or borrowing and lending restrictions or finance our working capital requirements on commercially acceptable terms or at all, unavailability of such equipment, of all which may have a material adverse effect on our business, financial condition, prospects and results of operations.

The actual amount and timing of our future capital requirements may differ from estimates as a result of, among other factors, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, economic conditions, engineering design changes, technological changes and additional market developments. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and could have a significant effect on our profitability and cash flows and we may be subject to additional covenants, which could limit our ability to access cash flows from operations.

**9. *We intend to utilise a portion of the Net Proceeds towards funding the capital expenditure of our Subsidiary, Raneal Advanced Systems Private Limited and we cannot assure you that we will be able to derive the benefits from the proposed object.***

Our Company proposes to utilise ₹ 448.83 million towards funding the capital expenditure of our wholly owned Subsidiary, RASPL. RASPL will be setting up a manufacturing facility for EMS which will have facilities for design, development, manufacturing, qualification and life cycle support of high reliability electronic and electro – mechanical systems used in Aerospace and Defence, Medical Electronics and Industrial Electronics application. For further information, see “*History and Certain Corporate Matters –Subsidiaries*” and “*Objects of the Offer*” on pages 201 and 97, respectively.

Our Company proposes to utilise ₹ 448.83 million towards funding the capital expenditure of our wholly owned Subsidiary, RASPL by setting up an electronic manufacturing services (“EMS”) facility in SEZ Aerospace, Devanahalli, Bengaluru through RASPL. For further information, see “*Our Business – Our Manufacturing Facility and Capabilities*” on page 163.

The total estimated cost to establish facility is ₹ 448.83 million (excluding pre-operatives and contingency), as estimated by our management, which has been verified by RBSA Valuation Advisors LLP, an independent advisory firm, pursuant to a techno economic viability report dated March 23, 2022 (“**Report**”) together with the addendum to the report dated September 20, 2022. Further, as on the date of this Red Herring Prospectus, no funds have been deployed by the Company towards the EMS facility, and the projected cost for setting up EMS facility including cost of land, building and infrastructure, machineries and equipment, IT infrastructure is based on management estimates and quotations received from respective vendors. These estimates are dependent on current conditions and the project cost are subject to change in light of changes in external circumstances, costs, other financial conditions or business strategies, timing by which the land is acquired and relevant equipment is ordered and with the passage of time. We cannot assure that we will be able to derive the benefits from the proposed object or derive the synergies of the proposed project with existing business and operations of the Company. Our management will have broad discretion to use the Net Proceeds and the Company will be relying on the judgment of our management regarding the application of these Net Proceeds. Subject to applicable laws, we may have to revise our funding requirements, including increasing or decreasing expenditure for expansion programme on account of a variety of factors. Our capital expenditure plans are subject to a number of variables, some of which may be beyond our control, including the changes in costs, our financial condition, business and strategy or

external circumstances such as market conditions, competitive environment, interest or exchange rate fluctuations and finance charges.

**10. We do not own the brand name ‘DCX’. We use the brand name ‘DCX’ pursuant to a no objection letter received from DCX-Chol Enterprises, Inc. In the event that we have to discontinue the use of the brand name ‘DCX’ or the logo, it may adversely affect our business and financial condition.**

We do not own the brand name ‘DCX’. Pursuant to a no objection letter dated November 14, 2011, DCX-Chol Enterprises, Inc. (“**DCX Chol**”), one of our Group Companies, which is the owner of the trademark. It has allowed us to use the brand name to incorporate our Company. We do not pay any royalty or other fees to DCX Chol for the use of the ‘DCX’ trademark. We have no written contract with DCX Chol for the right to use of the brand name ‘DCX’ for our business and there can be no assurance that DCX Chol will not withdraw such no-objection or direct us to cease using the brand name, with or without any prior notice, which could require us to change our name and logo. Such change in name and logo will result in us having to incur expenses and to establish our new name and logo with our customers, which could take time and management attention for significant periods, which could adversely affect our business and financial condition. Also see “– *Negative publicity against us, any of our Group Companies or our customers or any of our or their affiliates could cause us reputational harm and could have a material adverse effect on our business, financial condition, results of operations and prospects.*” on page 39.

**11. We are exposed to foreign currency fluctuation risks, particularly in relation to our borrowings, import of raw materials and export of products, which may adversely affect our results of operations, financial condition and cash flows.**

We face foreign exchange rate risk to the extent that our revenue, expenses, assets or liabilities are denominated in a currency other than the Indian Rupee. Our financial statements are presented in Indian Rupees. However, a significant portion of our raw material purchases, are priced by reference to benchmarks quoted in US dollars, and hence our expenditures are largely influenced by the value of the US dollar. Our revenue is influenced by the currencies of countries to which we export our products, largely being the US dollar. In Fiscal 2020, 2021 and 2022, and in the three months ended June 30, 2021 and June 30, 2022, our expenditure on the consumption of imported raw material was ₹ 1,734.79 million, ₹ 1,086.60 million, ₹ 1,770.47 million, ₹ 358.49 million and ₹ 349.14 million, respectively, and accounted for 38.61%, 16.95%, 16.06%, 29.17% and 16.37% of our revenue from operations, in such periods. The following table sets forth certain information regarding our customer base for the periods indicated:

| Customer     | Fiscal                   |  |                          |  |                          |  | Three months ended June 30, |  |                          |  |
|--------------|--------------------------|--|--------------------------|--|--------------------------|--|-----------------------------|--|--------------------------|--|
|              | 2020                     |  | 2021                     |  | 2022                     |  | 2021                        |  | 2022                     |  |
|              | (Standalone)             |  | (Consolidated)           |  | (Consolidated)           |  | (Standalone)                |  | (Consolidated)           |  |
|              | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products | Amount<br>(₹<br>million)    | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from Sale<br>of Products |
| Export       | 3,371.67                 | 76.45%   | 3,801.16                 | 59.59%   | 6,116.94                 | 55.73%   | 561.20                      | 45.66%   | 1,003.21                 | 47.04%   |
| Domestic     | 1,038.43                 | 23.55%   | 2,577.56                 | 40.41%   | 4,859.72                 | 44.27%   | 667.99                      | 54.34%   | 1,128.59                 | 52.96%   |
| <b>Total</b> | <b>4,410.10</b>          | <b>100.00%</b>   | <b>6,378.72</b>          | <b>100.00%</b>   | <b>10,976.66</b>         | <b>100.00%</b>   | <b>1,229.19</b>             | <b>100.00%</b>   | <b>2,131.80</b>          | <b>100.00%</b>                                       |

Depreciation of the Indian Rupee against the U.S. Dollar, the Euro and other foreign currencies may adversely affect our results of operations by increasing the cost of the raw materials we import or any proposed capital expenditure in foreign currencies. Although we generally seek to pass exchange rate fluctuations through to our customers through increases in our prices, there can be no assurance that we will be able to do so immediately or fully, which could adversely affect our business, financial condition, results of operations and cash flows.

As of March 31, 2020, 2021 and 2022 and as of June 30, 2021 and June 30, 2022, we have ₹ 4,545.24 million, ₹ 6,195.64 million, ₹ 5,422.60 million, ₹ 5,922.25 million and ₹ 5,876.71 million of unhedged US Dollar exposure (net outflow). In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, we suffered a foreign currency loss of ₹ 242.96 million, nil, ₹ 168.82 million, ₹ 58.97 million and ₹ 124.50 million, respectively.

Since our business activities inter-alia include import of materials, and export of finished goods which are linked to international prices and major international currencies, as a result, we are exposed to exchange rate fluctuations on imports of materials and exports of finished goods. We also avail foreign currency funding in the form of packing credit loan in foreign currency (“PCFC”). In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, such PCFC availed by us and outstanding were ₹ 1,339.77 million, ₹ 1,352.11 million, ₹ 4,671.80 million, ₹ 1,126.23 million and ₹ 4,628.82 million, respectively. These import and export activities are covered under the natural hedging. However, the advance mobilization received from the overseas customer against the bank guarantee issued on behalf of our Company by banks are in the form of USD denomination and inward advance remittance is converted to Indian Rupee fixed deposit and the bank guarantee issued is secured by the fixed deposit, resulting in impact of these fluctuations on our Company’s profitability and finances which could adversely affect our business, financial condition, results of operations and cash flows.

**12. Our inability to handle risks associated with our export sales could negatively affect our sales to customers in foreign countries.**

A significant portion of our revenue is generated from the export of our products to Israel, and partly to America and Korea. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, our revenue from operations from exports were ₹ 3,371.67 million, ₹ 3,801.16 million, ₹ 6,116.94 million, ₹ 561.20 million and ₹ 1,003.21 million, respectively, and accounted for 76.45%, 59.59%, 55.73%, 45.66% and 47.04%, respectively, of our revenue from sale of products. In Fiscal 2022, we exported US\$ 76 million worth of equipment accounting for 4.7% of the overall defence exports from India (Source: Company Commissioned F&S Report). For further information, see “Our Business - Exports” on page 186.

Our exports are subject to, among other risks and uncertainties, the following:

- demand for our products by our customers located outside India;
- social, economic, political, geopolitical conditions and adverse weather conditions, such as natural disasters, civil disturbance, terrorist attacks, war or other military action would affect our business and operations. For example, such a disruption may prevent us from production or delivery of our products to our customers;
- compliance with local laws, including legal constraints on ownership and corporate structure, environmental, health, safety, labour and accounting laws, may impose onerous. If we are unable to comply with such laws, our business, results of operations and financial condition could be adversely affected;
- changes in foreign laws, regulations and policies, including restrictions on trade, import and export license requirements, and tariffs and taxes, intellectual property enforcement issues and changes in foreign trade and investment policies, may affect our ability to both operate and the way in which we manage our business in the countries in which we operate; and
- fluctuations in foreign currency exchange rates against the Indian Rupee, may affect our results of operations, the value of our foreign assets, such as export receivables and various investments, the relative prices at which we and our competitors sell products in the same markets and the cost of certain inventory and non-inventory items required for our operations. For instance, fluctuation of the Euro and US Dollar would have an impact on the export revenues and profits of our operations.

Any of these risks could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

**13. We have had negative cash flows from operating activities in the past and may, in the future, experience similar negative cash flows.**

We have experienced negative cash flows from operating activities in the past and may, in the future, experience negative cash flows.

The following table sets forth certain information relating to our cash flows for the periods indicated below:

| Particulars                                       | Fiscal       |          |                | Three months ended June 30, |                |
|---|--------------|----------|----------------|-----------------------------|----------------|
|   | 2020         | 2021     | 2022           | 2021                        | 2022           |
|   | (₹ million)  |          |                |                             |                |
|   | (Standalone) |          | (Consolidated) | (Standalone)                | (Consolidated) |
| Net cash flow from/(used in) operating activities | 1,300.28     | 1,139.81 | (1,340.25)     | (425.86)                    | (197.02)       |

For further information, see “*Restated Financial Information – Restated Statement of Cash Flows*” on page 241.

Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans. As a result, our business, financial condition and results of operations could be materially and adversely affected.

***14. We have incurred indebtedness and an inability to comply with repayment and other covenants in our financing agreements could adversely affect our business and financial condition. We have not been, and may continue to not be, in compliance with certain financial covenants under certain of our financing agreements.***

We have entered into agreements with certain banks for working capital loan and vehicle loan. Most of our loan facilities are repayable on demand. As of August 31, 2022, we had total borrowings (inclusive of fund based and non-fund based) of ₹ 8,901.68 million, certain of which contain restrictive covenants, including requirements that we obtain consent from the lenders prior to undertaking certain matters including altering our capital structure, amending our constitutional documents, further issuance of any shares, effecting any scheme of amalgamation or reconstruction, changing the management and dilution of Promoters’ shareholding, and creation of security in favour of parties other than our existing lenders. Moreover, our manufacturing facility and some of our plant and machinery at such facility have been offered as a collateral for some of our loans and our Promoters have also provided personal and corporate guarantees in relation to our borrowings. Our Company has also provided corporate guarantees to certain loans granted to our Subsidiary. For further information, see “*Financial Indebtedness*” and “*History and Certain Corporate Matters*” on pages 296 and 198, respectively. We may also be required to furnish additional security if required by our lenders. Additionally, we are required to, among others, maintain the prescribed debt coverage ratio, net total debt, and fixed asset coverage ratio. There can be no assurance that we will be able to comply with these financial or other covenants at all times or that we will be able to obtain the consent necessary to take the actions that we believe are required to operate and grow our business. In the past, we were in breach of certain covenants of the financing arrangements, requiring prior approval of the lenders for any change in composition of the board of directors of the Company. There was a temporary freeze imposed on the facilities procured and bank accounts maintained with such lenders, consequent to breach of such covenants under financing arrangements. Such breaches may constitute events of default under the relevant facility agreements, which may permit the lenders under each of the relevant facility agreements to declare the amounts outstanding under the relevant facility agreements to be due and payable immediately. As of the date of this Red Herring Prospectus, there are no pending defaults under the relevant facility agreements. However, there is no assurance that we will be in compliance with such covenants in the future. Although, in the past, we have been able to cure such breaches, there can be no assurance that if any such breach were to occur in future, we will succeed in obtaining consents or waivers from its lenders or our lenders will not impose additional operating and financial restrictions on it, or otherwise seek to modify the terms of the existing financing arrangements in ways that are materially adverse to us.

Additionally, pursuant to the Offer, our Company proposes to utilise a part of the Net Proceeds to carry out scheduled repayment or pre-payment of its existing indebtedness and in the event our Company pre-pays certain loans, it may be required to bear pre-payment penalties, additional interest or additional bank fees or may require the consent of such lenders. For further information, see “*Objects of the Offer*” on page 97.

Further, we are susceptible to changes in interest rates and the risks arising therefrom. A majority of our financing agreements provide for interest at variable rates with a provision for the periodic resetting of interest rates. Further, under all of our working capital financing agreements, the lenders are entitled to charge the applicable rate of interest, which is a combination of a base rate that depends upon the policies of the RBI and a contractually agreed spread, and in the event of an adverse change in our Company’s credit risk rating, the applicable rate of interest may be changed by our lenders which may adversely affect our business and financial condition.

Under these financing agreements, consents from the respective lenders are required for and in connection with the Offer. As on the date of this Red Herring Prospectus, our Company has received all required consents from the relevant lenders in relation to the Offer, except that the consent from State Bank of India in connection with the Offer is subject to certain terms and conditions, *inter-alia*, (i) maintenance of key financial indicators of our Company, (ii) our Promoters having management control with minimum shareholding of 51% in our Company after the completion of the Offer, (iii) furnishing of certificate from a practising-chartered accountant or company secretary for compliance of various applicable laws or statutory requirements with respect to the Offer.

Further, our Company is required to obtain a separate permission from State Bank of India for making any investment and extending loans or advances to group concerns out of the proceeds of the Offer (“SBI Consent”). While our Company has received the SBI Consent, it is subject to compliance with the condition that such investment shall not result in deterioration in our Company’s key financial indicators *inter-alia* total net-worth, adjusted total net worth, net working capital, and total outside liability to total net worth. Further, in the event we fail to comply with the aforesaid terms and conditions, the lender may withdraw its consent or may also require us to repay the outstanding loans or facilities, which may have an adverse impact on our business, financial positions, cash flows, and operations.

Any failure to comply with the conditions and covenants in our financing agreements or the creation of additional encumbrances that is not waived by our lenders or guarantors or otherwise cured or occurrence of a material adverse event could lead to an event of default and consequent termination of our credit facilities could adversely affect our business, results of operations, financial condition, and cash flows.

If our future cash flows from operations and other capital resources are insufficient to pay our debt obligations or our contractual obligations, or to fund our other liquidity needs, we may be forced to sell assets or attempt to restructure or refinance our existing indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets, our financial condition at such time and the terms of our other outstanding debt instruments. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our creditworthiness or credit rating, which could harm our ability to incur additional indebtedness on acceptable terms.

**15. We have certain contingent liabilities that have not been provided for in our financial statements, which if they materialize, may adversely affect our financial condition.**

As of June 30, 2022, our contingent liabilities that have not been accounted for in our financial statements were as follows:

| Particulars     | Amount<br>(₹ million) |
|-----------------|-----------------------|
|                 | (Consolidated)        |
| Bank guarantees | 4,849.21              |
| <b>Total</b>    | <b>4,849.21</b>       |

Our ascertainable contingent liabilities constitute 393.65% of our net worth as of June 30, 2022. If these contingent liabilities materialize, fully or partly, our financial condition may be adversely affected. For further information, see “Restated Financial Information – Contingent liabilities, contingent assets and commitments – Note 34” on page 275.

**16. Any downgrade in our credit ratings could increase our borrowing costs, affect our ability to obtain financing, and adversely affect our business, results of operations and financial condition.**

The cost and availability of our capital depends on our credit ratings. Credit ratings reflects the opinion of the rating agency on our management, track record, diversified clientele, increase in scale and operations and margins, medium term revenue visibility and operating cycle. In last three Fiscals, long term bank facilities and short-term bank facilities of our Company were assigned ratings for Fiscals 2022, and long term non-fund based facilities and short term fund and non-fund facilities of our Company were assigned ratings for Fiscal 2023, while no such ratings were assigned for Fiscal 2021. Our long-term bank facilities were assigned IVR BBB/Stable (IVR Triple B with stable outlook) and our short bank facilities were assigned IVR A3+ (IVR A Three Plus) ratings for Fiscal 2022 by Infomerics Valuation and Rating Private Limited (“Infomerics”) pursuant to its letter dated October 4, 2021. In addition, pursuant to a letter dated August 18, 2022, Infomerics has reaffirmed our bank facilities and assigned our long term non-fund based facilities to IVR BBB/Credit watch with Positive Implication (IVR Triple B under Credit Watch Positive Implication) and our short term fund and non-fund facilities to IVR A3+ Credit watch with Positive Implication (IVR A Three Plus under Credit watch Positive Implication) For Fiscal 2023. Further, our Company had previously been provided rating by Acuité Ratings & Research Limited which, however, was not accepted by our Company.



Any downgrade in our credit ratings could increase borrowing costs, result in an event of default under our financing arrangements and adversely affect our access to capital and debt markets, which could in turn adversely affect our interest margins, our business, results of operations, financial condition and cash flows. In addition, any downgrade in our credit ratings could increase the probability that our lenders impose additional terms and conditions to any financing or refinancing arrangements we enter into in the future and adversely affect our business, results of operations and financial condition.

***17. We face significant competitive pressures in our industry. Our inability to compete effectively would be detrimental to our business and prospects for future growth.***

We face competition in our business from other manufacturers and suppliers of integrated electronic sub-systems and cable and wire harness products. For further information, see “*Industry Overview*” on page 119. The industry and markets for our products are characterized by factors such as rapid technological change, the development of new end products and their rapid obsolescence, evolving industry standards and significant price erosion over the life of a product. We primarily compete based on the following:

- product functionality, quality and reliability; technical, and production capabilities;
- ability to meet customers’ order requirements and delivery schedules;
- distributor, dealer and customer relationships and services; and
- product price.

There can be no assurance that we will maintain our competitiveness in any of these areas with respect to any of our products. While we work consistently to offset pricing pressures, produce new products, advance our technological capability, improve our services or enhance our production efficiency to reduce costs, such efforts may not be successful. For instance, in Fiscal 2020, we had an instance of obsolescence of a component wherein the design of the product had to undergo suitable changes and be replaced with a new component and qualification. Any similar instances could have an adverse impact on our business, results of operations and financial condition. Further, many of our existing and potential competitors may seek to equal or exceed us in terms of their financial, production, sales, marketing and other resources. If we fail to compete effectively in the future, our business and prospects could be materially and adversely affected.

***18. The current and continuing impact of the ongoing COVID-19 pandemic on our business and operations is uncertain and cannot be predicted.***

In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world had implemented measures such as shelter-in-place orders, quarantines, shut-downs of non-essential businesses, and similar government orders and restrictions on their residents to reduce and contain the spread of COVID-19. In order to contain the spread of the COVID-19 pandemic, the GoI along with state governments declared a lockdown in India including severe travel and transport restrictions and a directive to all citizens to shelter in place, unless essential. The COVID-19 pandemic and associated responses have adversely affected, among other things, workforces, consumer sentiment, liquidity, economies, trade and financial markets around the world, including in India. The lockdown required private, commercial and industrial establishments to remain closed. As a result of the lockdown, our business operations were temporarily disrupted with effect from end March 2020 to April 2020, the impact of the pandemic on our business, operations and financial performance have included and may continue to include the following:

- While operations at our manufacturing facility continued given that our operations were classified under the “essential services” category, however, our Company faced certain disruptions including supply chain disruptions on account of the lockdowns that were imposed in March 2020.
- A continued policy change from the Government, particularly as a result of any subsequent waves in India, may also affect our ability to effectively manage our inventory of products.
- Temporary closure of our office and decline in availability of workforce due to employees contracting the virus, rationalization of workforce, and restrictions on travel and movement due to lockdowns imposed by various state governments, affecting commute of employees to their places of work.

- Compliance with evolving government regulations, including with respect to social distancing measures and sanitization practices. Although we are currently in compliance with such guidelines, any failure in the future to fully comply or adhere to the measures and guidelines or any other similar regulations could lead to the imposition of penalties, fines or other sanctions, which could have an adverse impact on our business.

While our Company faced certain disruptions including supply chain disruptions on account of the lockdowns that were imposed in March 2020 as mentioned above, COVID-19 did not have a material impact on the business and operations of our Company in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022. For further information, see “*Our Business – Impact of COVID-19*” on page 172.

Further, our Statutory Auditors have included certain emphasis of matter in their examination report stating that the impact of COVID-19 remains uncertain. For further information, see “– *Our Statutory Auditors have included certain emphasis of matters in their examination report.*” on page 52.

Further, since we do not maintain business interruption insurance, we will not be covered for any claims or damages arising out of such disruptions. Additionally, there can be no assurance that we will be able to successfully achieve our expansion strategies in the event of subsequent waves of the pandemic in India that lead to additional restrictive measures or hamper overall economic recovery. For instance, the second wave of the COVID-19 pandemic in India beginning in March 2021 led to additional restrictive measures such as lockdowns, curfews and travel restrictions in certain parts of India, restricting operations at our manufacturing facility and exposing our manufacturing personnel to the increased risk of being infected by the COVID-19 virus. In the event subsequent waves worsen or are not controlled in a timely manner, we may not be able to (i) manage our operations at their full capacity; and (ii) successfully implement our growth strategy. Even though we have taken various initiatives to raise awareness for COVID as well as implemented social distancing and hygiene measures in our manufacturing facility, we cannot assure you that in the event of another COVID-19 wave additional restrictions will be put back in place or if another lockdown would be re-imposed to control the spread of COVID-19. The impact of the ongoing pandemic cannot be ascertained at this time, and while we cannot currently estimate the duration or future impact of the COVID-19 pandemic on our business or on the Indian or global economy, there is a likelihood that the effects could continue in future.

In addition, if our Key Managerial Personnel or a significant percentage of our workforce is unable to work due to COVID-19 illness, quarantine, limitations on travel or other government restrictions in connection with the COVID-19 pandemic, our operations may be negatively impacted. An outbreak of the COVID-19 pandemic connected to our manufacturing facility could have a material adverse effect on our business, results of operations, financial condition, cash flows, reputation and prospects. Also, see “*Restated Financial Information*” on page 233.

***19. We have a high debt equity ratio and may face certain funding risks. Our debt-to-equity ratio as of March 31, 2020, 2021 and 2022 and as of June 30, 2021 and 2022 was 7.80, 2.91, 4.27, 2.25 and 4.05, respectively. If we are unable to borrow at favourable market conditions, it could have a material impact on our operations.***

Our ability to borrow from banks or raise funds from the capital markets to meet our future financial requirements and fund our working capital is dependent, inter alia, on favourable market conditions and may be affected by our rating. In the absence of favourable market conditions, to meet our financial needs we will rely on available free cash flow. Our cash flows from operating activities in Fiscal 2020 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, were ₹ 1,300.28 million, ₹ 1,139.81 million, ₹ (1,340.25) million, ₹ (425.86) million and ₹ (197.02) million, respectively. Our debt-to-equity ratio as of March 31, 2020, 2021 and 2022 and as of June 30, 2021 and June 30, 2022 was 7.80, 2.91, 4.27, 2.25 and 4.05, respectively.

If sufficient sources of debt financing are not available in the future for these or other reasons, we may be unable to meet our financing/refinancing requirements, which could materially and adversely affect our operations, results of operations and financial condition and impact on our ability to fund our working capital and to refinance existing indebtedness at maturity. Our approach toward funding risk is aimed at securing competitive financing and ensuring a balance between average maturity of funding, flexibility and diversification of sources, however, these measures may not be sufficient to fully protect us from such risk. In addition, we may be subject to the restrictive covenants and interest rate risk arising on our existing and future financial indebtedness, which may vary depending on whether such indebtedness is secured or unsecured or at a fixed or at a floating rate.

***20. We are required to maintain a high level of working capital and our working capital may be adversely affected by changes in terms of credit and payment.***

We are required to maintain a high level of working capital because our business activities are characterised by inventory holding periods and production cycles. We usually finance our working capital requirements mainly through arrangements with banks. The scope and quantity of our transactions with the overseas OEM customers has, from time to time, increased working capital requirements because of increases in projects and programmes. Delays in payment under on-going contracts or in disbursements under our financing arrangements and/or in particular, reduction of advance payments due to lower order intake could adversely affect our working capital, lower our cash flows and materially increase the amount of working capital to be funded through external debt financings.

Further, extraordinary fluctuations in working capital needs linked to delays and/or a reduction in customer payments or advance payments, inventory and work in progress increases and/or accelerated payments to suppliers may lead to extraordinary cash absorptions which may affect our ability to meet our financial obligations when due in future.

***21. One of our group companies, DCX Chol, was proposed to be debarred for product quality deficiency and defaults in delivery of products.***

One of our Group Companies, DCX Chol, has in the past received a notice dated June 17, 2021 of proposed debarment (“NPD”) from Defense Logistics Agency, USA (“DLA”) which had raised concerns in relation to product quality deficiency reports and DCX Chol’s rates for on-time delivery leading to terminations for defaults. The proposal for debarment under the NPD included entities and persons affiliated with DCX Chol including our Company. However, subsequently the proposal for debarment on DCX Chol and its affiliates was terminated pursuant to an administrative agreement dated September 29, 2021, subject to compliance with certain terms and conditions by DCX Chol. In the event that DCX Chol does not comply with these terms and conditions or is debarred in future, we may be unable to offer our products and services to customers in the United States. Further, since our logo and brand name is associated with DCX Chol, any negative publicity involving it will adversely impact our business and financial prospects.

***22. Negative publicity against us, any of our Group Companies or our customers or any of our or their affiliates could cause us reputational harm and could have a material adverse effect on our business, financial condition, results of operations and prospects.***

From time to time, we or our customers or any of our or their affiliates may be subject to negative publicity in relation to our or their business or staff, including publicity covering issues such as anti-corruption, safety and environmental protection. Such negative publicity, however, even if later proven to be false or misleading, and even where the entities or individuals implicated are members or employees of our customers or their affiliates and not of us, could lead to a temporary or prolonged negative perception against us by virtue of our affiliation with such customers or their affiliates.

Our reputation in the marketplace is important to our ability to generate and retain business. In particular, damage to our reputation could be difficult and time-consuming to repair, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

***23. We may require additional equity or debt in the future in order to continue to grow our business, which may not be available on favourable terms or at all.***

Our strategy to grow our business may require us to raise additional funds or refinance our existing debt for our short term loans. There can be no assurance that such funds will be available on favourable terms or at all. Additional debt financing may increase our financing costs. Our financing agreements may contain terms and conditions that may restrict our ability to operate and manage our business, such as terms and conditions that require us to maintain certain pre-set debt service coverage ratios and leverage ratios and require us to use our assets, including our cash balances, as collateral for our indebtedness and those which require us to seek prior consent before obtaining additional funding. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and could have a significant effect on our profitability and cash flows. Any issuance of equity to raise additional funds, on the other hand, would result in a dilution of the shareholding of existing shareholders. If we are unable to raise additional funds on favourable terms or at all

as and when required, our business, financial condition, results of operations and prospects could be adversely affected.

**24. *Our profit and Adjusted EBITDA Margins may be impacted by a variety of factors, including but not limited to, variations in raw materials, pricing and competition.***

Our profit for the year/period for Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021, and June 30, 2022 was ₹ 97.44 million, ₹ 295.58 million, ₹ 656.08 million, ₹ 33.45 million and ₹ 55.68 million, respectively while our profit for the year/period margin was 2.09%, 4.33%, 5.84%, 2.60% and 2.53%. In the same periods, we recorded Adjusted EBITDA of ₹ 452.00 million, ₹ 324.76 million, ₹ 1,058.97 million, ₹ 116.27 million and ₹ 243.45 million, respectively, while our Adjusted EBITDA Margin was 9.72%, 4.75%, 9.42%, 9.03% and 11.05% of total income, respectively, in such periods. Our profit as a percentage of total income may fluctuate and may decrease as a result of the competitive and other factors described herein. Our profit is impacted by a number of factors, including product pricing, raw materials, labour costs, power and fuel costs, finance costs, interest on fixed deposit and other operating expenses. Should the competitive dynamic change in our industry (which could impact our margins through forces including but not limited to requiring us to alter our pricing strategy), increase in raw materials prices, we may not be able to continue to operate at our current margins. Additionally, should unforeseen events require our Company to make significant and unplanned investments in additional infrastructure, our profit and Adjusted EBITDA Margin could be materially reduced.

**25. *Our business may be adversely affected by work stoppages, increased wage demands by our employees, or an increase in minimum wages across various states, and if we are unable to engage new employees at commercially attractive terms.***

As on June 30, 2022, we had 98 full time employees. For further information, see “*Our Business – Human Resources*” on page 188. The success of our operations depends on the availability of and maintaining good relationships with our workforce. Shortage of skilled personnel or disruptions caused by disagreements with employees could have an adverse effect on our business and the results of operations. While we have not experienced any major disruptions in our business operations due to disputes or other problems with our work force in the past, there can be no assurance that we will not experience any such disruption in the future. Such disruptions may adversely affect our business and results of operations and may also divert the management’s attention and result in increased costs.

Our success also depends on our ability to attract, hire, train and retain skilled manufacturing personnel. An inability to recruit, train and retain suitably qualified and skilled personnel could adversely impact our reputation, business prospects and results of operations. As we expand our business network, we will need experienced manpower that has knowledge of the local market, or technical knowledge to operate machinery such that our operations can be perpetuated. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, the attrition rate of our employees was 2.23%, 2.50%, 2.24%, 2.61% and 0.83%, respectively. However, we cannot assure you that attrition rates for our employees, particularly our manufacturing personnel, will not increase.

A significant increase in our employee attrition rate could also result in decreased operational efficiencies and productivity, loss of market knowledge and customer relationships, and an increase in recruitment and training costs, thereby materially and adversely affecting our business, results of operations and financial condition. We cannot assure you that we will be able to find or hire personnel with the necessary experience or expertise to operate our machinery in our existing manufacturing facility or new facility that we are proposing to be commissioned for our new business vertical to be set up through our wholly owned subsidiary. In the event that we are unable to hire people with the necessary knowledge or expertise, our business may be severely disrupted, financial condition and results of operations may be adversely affected.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal, and legislation that imposes certain financial obligations on employers upon retrenchment. Our employees are not unionised. However, in the event that employees seek to unionise, it may become difficult for us to maintain flexible labour policies, which may increase our costs and adversely affect our business. While we consider our current labour relations to be good, and we have measures in place aimed at maintaining balanced employee relations, there can be no assurance that we will not experience future disruptions in our operations due to disputes, strikes, work stoppages, work slow-downs or lockouts at our manufacturing facility. Although we have not experienced any material labour unrest, we cannot assure you that we will not experience disruptions in work due to disputes

or other problems with our work force, which may adversely affect our ability to continue our business operations. Any labour unrest directed against us, could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations.

During periods of shortages in labour, we may not be able to manufacture our products according to our previously determined time frames, at our previously estimated product costs, or at all, which may adversely affect our business, results of operations, cash flows and reputation. We are subject to stringent labour laws, and any violation of these laws may lead regulators or other authorities to order a suspension of certain or all of our operations. Any of the foregoing may adversely affect our business and the results of operations.

We may also be subject to increasing manpower costs in India, which would directly impact our employee costs and consequently, on our margins. Further, the minimum wage laws in India may be amended leading to upward revisions in the minimum wages payable in one or more states in which we currently operate or are planning to expand to. We may need to increase compensation and other benefits in order to attract and retain key personnel in the future and that may materially affect our costs and profitability. We cannot assure you that as we continue to grow our business in the future, our employee costs coupled with operating expenses will not significantly increase.

**26. *We are subject to strict quality requirements and any product defect issues or failure by us or our raw material suppliers to comply with quality standards may lead to the cancellation of existing and future orders, recalls or warranty and exposure to potential product liability claims.***

We and our component suppliers may not be able to meet regulatory quality standards in India or abroad, or the quality standards imposed by our customers and applicable to our manufacturing processes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If any of our products do not meet regulatory standards or are defective, we may be, *inter alia*, (i) responsible for damages relating to any defective products, (ii) required to replace, recall or rectify such products or (iii) incur significant costs to defend any such claims.

We usually provide a warranty against manufacturing defects on our products. For example, we provide 12 months warranty to our customers for the system integration and cable and wire harness business. Any defect in our finished products may result in customers making a warrant claim. While there have not been any warranty claims made against our products or any cancellation of existing or future orders resulting in a material adverse impact on our business, financial condition, results of operations and cash flows, there can be no assurance that this will continue in the future. There can be no assurance that we or our component suppliers comply or can continue to comply with all regulatory requirements or the quality requirement standards of our customers. The longer useful life of some of our products makes it possible that latent defects might not appear for several years. There is no guarantee that any future non-compliance with quality standards will not result in a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The failure by us or any of our suppliers to achieve or maintain compliance with regulatory requirements or quality standards may disrupt our ability to supply products until compliance is achieved or, with a component supplier, until a new supplier has been identified and evaluated. The quality of raw materials and the goods we trade in will have an impact on the quality of the finished products and in turn affect our brand image, business and revenue. There is no assurance that our products will always meet the satisfaction of our customers' quality standards. Our or our component supplier's failure to comply with applicable regulations could cause adverse consequences to be imposed on us, including warning letters, fines, injunctions, civil penalties, the refusal of regulatory authorities to grant approvals, delays, suspensions or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, all of which could harm our business. There can be no assurance that if we need to engage new suppliers to satisfy our business requirement, we will be able to locate new suppliers in compliance with regulatory requirements in a timely manner, or at all. Failure to do so could lead to the cancellation of existing and future orders and have a material adverse effect on our business and revenue.

**27. *Our Promoters will continue to collectively hold substantial shareholding in our Company and will continue to exercise significant influence over us after completion of the Offer.***

As on the date of this Red Herring Prospectus, our Promoters held 98.20% of the share capital of our Company. For further information on their shareholding pre and post offer, see "*Capital Structure*" on page 84. After the completion of the Offer, our Promoters will continue to collectively hold substantial shareholding in our

Company, and will continue to exercise significant influence over our business policies and affairs and all matters requiring Shareholders' approval, including the composition of our Board, the adoption of amendments to our certificate of incorporation, the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets, and the policies for dividends, lending, investments and capital expenditures. This concentration of ownership also may delay, defer or even prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of our Promoters. Further, our Promoters have had disputes with the previous shareholders of our Company in the past with respect to the management of our Company. VNG, Dinesh P Shah, Jyotivadan Sheth (collectively, "Sellers"), NCBG Holdings Inc., Dr. H.S. Raghavendra Rao, and our Company had entered into a settlement agreement dated February 24, 2021, ("**Settlement Agreement**"), to resolve certain disputes and differences between NCBG and the Sellers in relation to the management of the affairs of the Company. Pursuant to the Settlement Agreement, Sellers agreed to transfer their entire shareholding in our Company to NCBG and/or its nominees, and to settle outstanding disputes including any legal proceedings in accordance with the terms and conditions of the Settlement Agreement. For further information, see "*Our Promoters and Promoter Group*" on page 223. Post listing, our Promoters will continue to exercise significant influence over us through their shareholding after the Offer. In accordance with applicable laws and regulations, our Promoters will have the ability to exercise, directly or indirectly, a significant influence over our business. The trading price of the Equity Shares could be materially adversely affected if potential new investors are disinclined to invest in us because they perceive disadvantages to a large shareholding being concentrated in the hands of our Promoters.

***28. Disruption in transportation of our finished products could affect our business adversely and materially.***

We transport our finished products by road, sea and air. We rely on freight forwarders to deliver our products. We are therefore significantly dependent on transportation and logistics companies that we engage with. We generally do not enter into long-term arrangements with transportation and logistical companies and engage on them on a need basis.

The disruption of transportation services due to natural factors such as weather conditions particularly during monsoon or flood seasons, or man-made factors such as strikes, accidents, or other inadequacies in the transportation infrastructure, or any other factor that could impair the ability of our suppliers to deliver raw materials to us and our ability to deliver our products to customers, which may adversely affect our revenue from operations. Such raw materials and our products may be lost, damaged or deteriorated and contaminated due to improper handling, negligence, transport strike or accidents or any other *force majeure* events which may not be within our control. Additionally, if we lose one or more of our third-party transportation providers, there can be no assurance that we will be able to find new or alternative third-party transportation providers at all, or at terms as favourable as those which we have in force with our current partners.

Further, our third-party transportation providers may not carry adequate insurance coverage and therefore, any losses that may arise during the transportation process may have to be claimed under our marine insurance policy. There can be no assurance that we will receive compensation for any such claims in full amount in a timely manner or at all, and consequently, any such loss may adversely affect our business, financial condition and results of operations.

***29. Our Group Companies are involved or authorised to undertake one or more ventures, which are in the same line of activity or business as that of our Company.***

Our group company, RNSE-Tronics Private Limited has common pursuits as per the object clause of its memorandum of association and is authorised to carry out the trading of electronic and electromechanical components required for the defence and aerospace industry. Further, Vinyas Innovative Technologies Private Limited and DCX CHOL Enterprises Inc. are engaged in business activity similar to that of our Company and proposed business in our Subsidiary Raneal. For further information, see "*Group Companies - Common Pursuits between our Group Companies and our Company*" on page 230. As a result, our relationship with our Group Companies may cause certain conflicts of interest and we may compete with them while undertaking our business and operations. As on date of this Red Herring Prospectus, our Group Companies have not undertaken any business in conflict with our Company. However, we cannot assure you that such a conflict will not arise in the future, or that we will be able to suitably resolve any such conflict without an adverse effect on our business or operations.

***30. We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.***

We have entered into transactions with related parties in the past and from, time to time, we may enter into related party transactions in the future. These transactions principally include remuneration paid to KMPs, purchases of PCBAs, sale of cable and wire harness and export of cable and wire harness, equipment purchase and import of varieties of connectors, wires, sleeves, back shells required for cable and wire harness. While all such transactions have been conducted on an arm's length basis, in accordance with the Companies Act and other applicable regulations pertaining to the evaluation and approval of such transactions and all related party transactions that we may enter into post-listing, will be subject to Board or Shareholder approval, as necessary under the Companies Act and the SEBI Listing Regulations, in the interest of the Company and its minority Shareholders and in compliance with the SEBI Listing Regulations. Further, it is likely that we may enter into additional related party transactions in the future. Such related party transactions may potentially involve conflicts of interest.

The details of related party transactions of our Company for the Fiscal 2020, 2021 and 2022 and the three months ended June 30, 2021 and June 30, 2022, as per Ind AS 24 – Related Party Disclosures, read with the SEBI ICDR Regulations, as derived from the Restated Financial Information, are set forth in the table below:

(in ₹ million)

| S. No.             | Related parties                            | Nature of transactions   | As on June 30, 2022 (consolidated) | As on June 30, 2021 (standalone) | As on March 31, 2022 (consolidated) | As on March 31, 2021 (standalone) | As on March 31, 2020 (standalone) |
|--------------------|--|--|------------------------------------|----------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| <b>Purchase</b>    |  |  |                                    |                                  |                                     |                                   |                                   |
| 1                  | M/S DCX Chol Enterprises Inc               | Import of varieties of connectors, wires, sleeves, back shells required cable and wire harness | 3.82                               | -                                | 35.58                               | 4.75                              | 19.29                             |
| 2                  | M/S RNSE-TRONICS Pvt Ltd                   | Purchases of Electronic components   | 555.22                             | 107.79                           | 2,783.82                            | 3,293.45                          | -                                 |
| 3                  | M/S Vinyas Innovative Technologies Pvt Ltd | Purchases of Printed circuit board assemblies  | -                                  | 12.25                            | -                                   | 967.72                            | 292.89                            |
| <b>Sales</b>       |  |  |                                    |                                  |                                     |                                   |                                   |
| 4                  | M/S DCX Chol Enterprises Inc               | Export of Cable and wire harness assemblies  | 0.01                               | -                                | 0.01                                | 11.94                             | 9.68                              |
| 5                  | M/S Vinyas Innovative Technologies Pvt Ltd | Sale of cable and wire harness   | -                                  | 0.13                             | -                                   | 0.91                              | 0.87                              |
| <b>Expenditure</b> |  |  |                                    |                                  |                                     |                                   |                                   |
| 6                  | Mr. H.S. Raghavendra Rao                   | Salary   | 5.72                               | 3.90                             | 29.20                               | 8.88                              | 11.10                             |
| 7                  | Mr. Anand S                                | Salary   | 0.65                               | -                                | 1.73                                | -                                 | -                                 |
| 8                  | Mr.R.Sankarakrishnan                       | Professional Fee   | -                                  | -                                | 1.25                                | -                                 | -                                 |
| 9                  | Mr.R.Sankarakrishnan                       | Salary   | 0.84                               | -                                | 0.53                                | -                                 | -                                 |
| 10                 | Ravi Kumar E                               | Salary   | -                                  | -                                | -                                   | 3.60                              | 3.27                              |

| S. N o.      | Related parties              | Nature of transactions                  | As on June 30, 2022 (consolidated) | As on June 30, 2021 (standalone) | As on March 31, 2022 (consolidated) | As on March 31, 2021 (standalone) | As on March 31, 2020 (standalone) |
|--------------|------------------------------|---|------------------------------------|----------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| 11           | K R Premkumar                | Salary                                  | -                                  | -                                | -                                   | 3.81                              | 4.17                              |
| 12           | M/S DCX Chol Enterprises Inc | Equipment lease rent provision reversed | -                                  | -                                | -                                   | -                                 | 10.51                             |
| 13           | M/S DCX Chol Enterprises Inc | Reimbursement of expenses               | -                                  | -                                | 1.70                                | 1.71                              | 3.24                              |
| 14           | M/S DCX Chol Enterprises Inc | Equipment purchase                      | -                                  | -                                | -                                   | -                                 | 25.56                             |
| 15           | Ranga K S                    | Salary                                  | 1.15                               | -                                | 1.26                                | -                                 | -                                 |
| 16           | ShivaKumara R                | Salary                                  | 1.01                               | -                                | 1.88                                | -                                 | -                                 |
| 17           | Prasanna Kumar T S           | Salary                                  | 0.75                               | -                                | 2.70                                | -                                 | -                                 |
| 18           | Nagaraj R Dhavaskar          | Salary                                  | 0.30                               | -                                | 0.35                                | -                                 | -                                 |
| 19           | Pramod. B                    | Salary                                  | 0.65                               | -                                | 1.30                                | -                                 | -                                 |
| 20           | G S Manjunath                | Salary                                  | 0.40                               | -                                | 1.38                                | -                                 | -                                 |
| 21           | Kiran Kumar K S              | Salary                                  | 0.45                               | -                                | 1.40                                | -                                 | -                                 |
| 22           | Atul D Mutthe                | Salary                                  | 0.27                               | -                                | 0.43                                | -                                 | -                                 |
| 23           | Rajanikanth K N              | Salary                                  | 0.35                               | -                                | 1.30                                | -                                 | -                                 |
| <b>TOTAL</b> |                              |   | <b>571.59</b>                      | <b>124.07</b>                    | <b>2,865.82</b>                     | <b>4,296.77</b>                   | <b>380.57</b>                     |

The table below provides details of our aggregate related party transactions and the percentage of such related party transactions to our revenue from operations in the relevant periods:

| Particulars   | Fiscal 2020  | Fiscal 2021  | Fiscal 2022    | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|---|--------------|--------------|----------------|----------------------------------|----------------------------------|
|   | (Standalone) | (Standalone) | (Consolidated) | (Standalone)                     | (Consolidated)                   |
| <i>(₹ million, except percentages)</i>                                    |              |              |                |                                  |                                  |
| Aggregate amount of related party transactions                            | 380.58       | 4,296.77     | 2,865.82       | 124.07                           | 571.49                           |
| Revenue from Operations   | 4,492.62     | 6,411.63     | 11,022.73      | 1,229.14                         | 2,132.54                         |
| Related party transactions as a percentage of revenue from operations (%) | 8.47%        | 67.02%       | 26.00%         | 10.09%                           | 26.80%                           |

For further information on our related party transactions, see “Restated Financial Information – Related Party Disclosure – Note 36” on page 276.

**31. Our Company is unable to trace some of our historical corporate records and filings and there have been delays in relation to reporting requirements in respect of issuance of securities by our Company.**



We are unable to trace certain acknowledgements for the forms filed with the RBI and the respective communication on the allotment of the unique identification number (“UIN”) in relation to equity shares allotted to non – resident shareholders in the past despite conducting search of our internal records and documents and liaising with the relevant authorised dealer banks. Thus, we may be unable to obtain copies of these documents in the future. We have accordingly relied on the alternate documents, and records including forms filed with the RoC for allotment of such equity shares, board resolution for allotment of such equity shares, and the relevant form FC-GPR filed with Reserve Bank of India. For further information, see “*Capital Structure*” on page 84. Although we believe that the non-availability of the documents has not had a material legal or financial impact on us thus far, we cannot assure you that we will not be subject to risks arising from the unavailability of such corporate records.

Further, our Promoter, NCBG Holdings Inc. has acquired 150 equity shares of face value of ₹ 10 each, from Jyotivadan Occhavlal Sheth on June 29, 2021. For further information, see “*Capital Structure*” on page 84. There has been delays in the filing of the (i) Form FC-TRS in respect of aforesaid transfer of equity shares with RBI by Jyotivadan Occhavlal Sheth, (ii) Form FCGPR in relation to the allotment of Equity Shares to NCBG Holdings Inc. pursuant to the bonus issue of Equity Shares on January 27, 2022. The form FC-TRS was filed with the RBI on April 2, 2022, by Jyotivadan Ochhavlal Sheth, acting through his authorised signatory and the form was approved upon payment of late submission fees of ₹ 100, which was duly paid to RBI vide demand draft dated April 18, 2022. Consequently, the Company has filed form FC-GPR, in relation to the Bonus Issue with the RBI on May 4, 2022.

While no penalties were levied by regulatory authorities for delay in filing of aforesaid forms, we were subject to late submission fees of (i) ₹ 100 for form FCTRS, and (ii) ₹ 32,414 for form FCGPR, for delay in making such filings with the RBI in the prescribed timelines. Late submission fees for the aforesaid forms have been duly deposited with the RBI.

While no legal proceedings or regulatory action has been initiated against our Company or our Promoters in relation to the unavailability of such filings and records, or delays in making filings, as of the date of this Red Herring Prospectus, we cannot assure you that such proceedings or regulatory actions will not be initiated against our Company or Promoters in the future in relation to such incidents and incidents of a similar nature. The actual amount of the penalty which may be imposed or loss which may be suffered by our Company or Promoters cannot be ascertained at this stage and depends on the circumstances of any potential action which may be brought against our Company or Promoters. We cannot assure you that any such proceedings will not have a material adverse effect on our financial condition or reputation.

***32. We have not been able to obtain certain records of the educational qualifications of our Independent Director, and certain Key Managerial Personnel, and have relied on the statement of marks and provisional certificate submitted by such personnel for details of their profiles included in this Red Herring Prospectus.***

Our Independent Director, Panchangam Nagashayana, Chief Financial Officer, Ranga KS, Company Secretary, Legal and Compliance Officer, Nagaraj R Dhavaskar, Manager – Logistics, Rajanikanth K.N., and Manager – Quality of our Company, Atul Dhondiram Mutthe have been unable to trace copies of the degrees pertaining to their educational qualifications. Accordingly, to the extent of disclosures relating to the foregoing, reliance has been placed on the provisional certificates and statement of marks submitted by aforesaid Director and Key Managerial Personnel for verifying the authenticity of the details of their educational qualifications. We cannot assure you that the information relating to the Independent Director and Key Managerial Personnel, included in “*Our Management*” are true, accurate and not misleading.

***33. Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and may be subject to change based on various factors, some of which are beyond our control. While our Company will receive proceeds from the Fresh Issue, it will not receive any proceeds from the Offer for Sale.***

We intend to use the Net Proceeds for the purposes described in “*Objects of the Offer*” on page 97 of this Red Herring Prospectus. As on the date of this Red Herring Prospectus, our funding requirements are based on management estimates in view of past expenditures, and have not been appraised by any bank or financial institution. We relied on techno economic viability report dated March 23, 2022 issued by the RBSA Valuation Advisors LLP, an independent advisory firm, together with the addendum to the techno economic viability report dated September 20, 2022, for setting up of proposed facility for Electronics Manufacturing Services (PCB

Assembly) by RASPL. Our funding requirements and proposed deployment of the Net Proceeds are based on current conditions and are subject to change in light of changes in external circumstances, costs, business initiatives, other financial conditions or business strategies. Also see, “ - We intend to utilise a portion of the Net Proceeds towards funding the capital expenditure of our Subsidiary, Raneal Advanced Systems Private Limited (“RASPL”) and we cannot assure you that we will be able to derive the benefits from the proposed object” on page 32. While we will use the Net Proceeds for (i) repayment/ prepayment, in full or part, of certain borrowings availed of by our Company; (ii) funding working capital requirements of our Company; (iii) investment in our wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses and (iv) general corporate purposes in the manner specified in “Objects of the Offer” on page 108, the amount of Net Proceeds to be actually used will be based on our management’s discretion. However, the deployment of the Net Proceeds will be monitored by a monitoring agency appointed pursuant to the SEBI ICDR Regulations. Our internal management estimates may exceed fair market value or the value that would have been determined by third-party appraisals, which may require us to reschedule or reallocate our capital expenditure and may have an adverse impact on our business, financial condition, results of operations and cash flows. We may have to reconsider our estimates or business plans due to changes in underlying factors, some of which are beyond our control, such as interest rate fluctuations, changes in input cost, and other financial and operational factors. Further, while our Company will receive proceeds from the Fresh Issue, it will not receive any proceeds from the sale of Equity Shares pursuant to Offer for Sale by the Selling Shareholders.

Accordingly, prospective investors in the Offer will need to rely upon our management’s judgment with respect to the use of Net Proceeds. If we are unable to deploy the Net Proceeds in a timely or an efficient manner, it may affect our business and the results of operations.

***34. Our manufacturing facility and our Registered and Corporate Office is located on land not owned by us and we have only leasehold rights. In the event we lose or are unable to renew such leasehold rights, our business, financial condition and results of operations may be adversely affected.***

Our registered and corporate office and manufacturing facility is leased to us by KIADB on a 99-year leasehold basis by way of a lease deed dated January 30, 2018 read with possession certificate issued by KIADB dated October 7, 2017, and is located at Plot #29, 30 & 107, Hi-Tech Defence and Aerospace Park, Kavadasanahalli, Bengaluru Rural – 562 110, Karnataka, India.

We cannot assure you that we will be able to renew our leases on commercially acceptable terms or at all. In the event that we are required to vacate our current premises, we would be required to make alternative arrangements for new offices and other infrastructure and we cannot assure that the new arrangements will be on commercially acceptable terms. If we are required to relocate our business operations during this period, we may suffer a disruption in our operations or have to pay increased charges, which could have an adverse effect on our business, prospects, results of operations and financial condition. If we are unable to renew these leases or relocate on commercially suitable terms, it may have a material adverse effect on our business, results of operation and financial condition.

***35. Our ability to complete our projects in a timely manner and maintain quality standards is subject to performance of our suppliers.***

We use our suppliers as EMS manufacturers, to manufacture PCB assemble which is then used in terms of defence offset policy guidelines. Although our suppliers are qualified, we do not have control over their day-to-day performance. We cannot ensure that there will be no delay in performance of duties by our suppliers, which may cause a delay in completion of our projects. We may also be exposed to risks relating to the quality of their services, equipment and supplies. In the event that our cost and work estimates are not in line with our budgets or there is an increase in the price of materials, the fixed price contract may adversely affect our profit margins. Further, there is a risk that we may have disputes with our suppliers arising from, amongst other things, quality and timely execution of work performed by our suppliers, payments to be made to the suppliers under our arrangement with them or our failure to extend existing work order to or issue a new work order to a sub-contractor under our arrangement with such suppliers. We cannot assure you that these disputes will be amicably resolved or will not culminate into arbitration, litigation or other dispute resolution proceedings.

***36. We are exposed to counterparty credit risk and any delay in receiving payments or non-receipt of payments may adversely impact our results of operations.***

Due to the nature of, and the inherent risks in, the agreements and arrangements with our customers, we are subject to counterparty credit risk and a significant delay in receiving large payments or non-receipt of large payments may adversely impact our results of operations. Our operations involve extending credit to our customers in respect of sale of our products and consequently, we face the risk of the uncertainty regarding the receipt of these outstanding amounts. Consequently, we face the risk of the uncertainty regarding the receipt of these outstanding amounts. As a result of such industry conditions, we have and may continue to have high levels of outstanding receivables. We generally have credit terms of 30 days with our customers. For Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2021 and June 30, 2022, our trade receivables were ₹ 879.71 million, ₹ 123.14 million, ₹ 694.94 million, ₹ 127.36 million, and ₹ 1,084.08 million, respectively. There is no assurance that we will accurately assess the creditworthiness of our customers. Further, macroeconomic conditions which are beyond our control, such as a potential credit crisis in the global financial system, could also result in financial difficulties for our customers, including limited access to the credit markets, insolvency or bankruptcy. Such conditions could cause our customers to delay payment, request modifications of their payment terms, or default on their payment obligations to us, all of which could increase our receivables. Timely collection of dues from customers also depends on our ability to complete our contractual commitments and subsequently bill for and collect from our clients. If we are unable to meet our contractual obligations, we may experience delays in the collection of, or be unable to collect, our customer balances, which could adversely affect our results of operations and cash flows, see “*Restated Financial Information – Financial Risk Management – Note 37*” on page 277.

***37. The consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 is not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021 given that we did not have any subsidiary in such prior periods.***

Until Fiscal 2021, our Company did not have any subsidiary and no consolidated financial statements were prepared. In Fiscal 2022, we incorporated a wholly owned subsidiary, Raneal Advanced Systems Private Limited. Accordingly, the consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 is not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021.

***38. Our earnings and margins may vary based on the mix of our contracts and programs, our performance, and our ability to control costs.***

Our earnings and margins may vary materially depending on the types of contracts undertaken, the nature of the products produced or services performed under those contracts, the costs incurred in performing the work and the stage of performance at which the right to receive fees is finally determined. Changes in procurement policy favouring new, accelerated or different award fee criteria may affect the predictability of our profit rates.

The failure to perform according to our customer’s expectations and contract or purchase order requirements may result in reduced fees and affect our financial performance in that period. Under each type of contract, if we are unable to control costs, our operating results could be adversely affected, particularly if we are unable to justify an increase in the contract value to our customers. Cost overruns or the failure to perform on existing programmes also may adversely affect our ability to retain existing programmes and win future contract awards.

***39. The loss of certain independent certification and accreditation of our products and the manufacturing practices that we have adopted could harm our business.***

We rely on independent certification of our products and must comply with the requirements of independent organizations or certification authorities including AS-9100:2016 for quality management systems for aviation, space and defense products manufacturing and ISO 9001:2015 for quality management systems. We have a Certified IPC Trainer for IPC/WHMA-A-620 REV:D for manufacturing cable and wire harnesses, IPC-A-610 CIS for acceptability of electronic assemblies and are also IPC J-STD-001 CIS for requirements for soldered electrical and electronic assemblies. Our customers expect us to undertake extensive product approvals and/or certification process and some of our customers also perform their own quality checks to ensure that our products meet their demands and comply with the requirements. Also see “*Our Business - Quality Assurance and Certifications*” on page 188.

We could lose the certifications and accreditations for certain of our products if we are not able to adhere to the quality standards and specifications required under such certifications and accreditations. The loss of any independent certification and manufacturing practices may restrict our ability to export our products outside India,

which could have a material adverse effect on our reputation, business, financial condition and results of operations.

***40. Under-utilization of our manufacturing capacity and an inability to effectively utilize our expanded manufacturing capacity could have an adverse effect on our business, future prospects and future financial performance.***

The success of any capacity expansion and expected return on investment on capital expenditure is subject to, among other factors, the ability to procure requisite regulatory approvals in a timely manner; recruit and ensure satisfactory performance of personnel to further grow our business; and the ability to absorb additional infrastructure costs and develop new expertise. Our capacity utilization is also affected by the product requirements of, and procurement practice followed by, our customers. Our Company is proposing to make investments for the expansion of our manufacturing capacities and is continuing to undertake additional investments to increase our capacity in new business verticals through our Subsidiary. Our expected return on capital invested is subject to, among other factors, our ability to absorb additional infrastructure costs and utilize the expanded capacities as anticipated. In case of oversupply in the industry or lack of demand we may not be able to utilize our expanded capacity efficiently. Under-utilization of our manufacturing capacity over extended periods, or significant under-utilization in the short term, or an inability to fully realize the benefits of our proposed capacity expansion, could materially and adversely impact our business, growth prospects and future financial performance.

Further, the installed and utilized capacity of our current facility cannot be specified as it is dependent on the nature of the product, its design and specifications, raw material, and other relevant details. Since we are engaged in developing, manufacturing and testing of a range of products for the defence and aerospace industry that are customised to order placed by our customers, an estimate with respect to installed or utilised capacity cannot be specified. The capacity of the manufacturing operations varies significantly depending on products manufactured and hence an estimate of the installed / utilized capacity cannot be provided accurately.

***41. We are subject to various laws, regulations, approvals and licenses required in the ordinary course of business, including environmental, health and safety laws and other regulations. Any failure to obtain or retain them in a timely manner may materially adversely affect our operations.***

Our business and operations are subject to a number of approvals, statutory and regulatory licenses, registrations and permissions for construction of our manufacturing facility, in addition to extensive government regulations for the protection of the environment and occupational health and safety. We have either made or are in the process of making an application or renewal for obtaining necessary approvals that are not in place or have expired. We may also need to apply for additional approvals including the renewal of approvals which may expire from time to time, in the ordinary course of business. Further, we are in the process of filing the applications with relevant statutory and regulatory authorities for reflecting the change of name of the Company, pursuant to its conversion from a private limited company to a public limited company. Recently, vide the letter dated April 28, 2022, the Office of the Development Commissioner, Cochin Special Economic Zone has accorded approval for the change of name of our Company pursuant to its conversion from a private limited company to a public limited company. Certain material approvals obtained by the Company in relation to its business and operations are valid for specified time-period and our Company is required to renew such approvals upon its expiration. For details, see “*Government and Other Approvals – Material approvals in relation to our business*” on page 336. If we fail to retain, renew or receive any of such approvals, licenses, registrations, permissions or renewals, in a timely manner or at all, our business, financial condition, results of operations and prospects may be adversely affected. For further information on pending renewals and pending material approvals, see “*Government and Other Approvals – VI. Material approvals applied for but not received*” on page 338.

Further, our government approvals and licenses are subject to certain conditions, some of which are onerous and require us to make substantial compliance-related expenditure. If we fail to comply or a regulator claims that we have not complied with such conditions, our business, prospects, financial condition and results of operations may be adversely affected. For further information, see “*Outstanding Litigation and Material Developments*” page 333.

***42. We currently avail benefits under certain Government incentive schemes. Any failure in meeting the obligations under such schemes may result in adversely affect our business operations and our financial condition.***

The regulatory and policy environment in which we operate is evolving and is subject to change. Our manufacturing facility is located in a SEZ. Special economic zone development results in several fiscal incentives and other benefits for special economic zone developers and their customers, including exemptions from income tax and duties. For example, exemption from any duty of customs under the Customs Act, 1962, exemption from any duty of excise under the Central Excise Act, 1944, exemption from service tax, etc. Further, section 10AA of the Income Tax Act, 1961 provides that an assessee carrying on the export of goods manufactured, or services provided from Special Economic Zone, is eligible to claim a deduction in computing its total income. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, we received a MEIS incentive of ₹ 66.76 million, ₹ 28.31 million, ₹ 28.61 million, ₹ nil and ₹ nil, respectively, representing 1.49%, 0.44%, 0.26%, nil and nil, respectively, of our revenue from operations. The GoI, may implement new laws or other regulations and policies that could affect the aerospace and defence industry, which could lead to new compliance requirements, including requiring us to obtain approvals and licenses from the GoI and other regulatory bodies, or impose onerous requirements for availing such benefits. Our industry sector may also be removed from entitlement of such benefits due to change in policy or regulations and new compliance requirements could increase our costs or otherwise adversely affect our business, financial condition and results of operations. Further, the manner in which new requirements will be enforced or interpreted can lead to uncertainty in our operations and could adversely affect our operations.

***43. Product liability and other customer claims could adversely affect our business, results of operation and financial condition.***

We are subject to product liability and other claims from customers, in connection with (i) the non-compliance of these products or services with the customer's specifications, due to faults in production, or (ii) the delay or failed supply of the products or the services indicated in the contract. These liabilities might arise from causes that are directly attributable to us or causes that are attributable to third parties which act as our suppliers or sub-contractors.

Although we typically make provisions for customer warrant claims, insurance for product liability is typically not available due to the nature of the sector in which we operate. While we have not incurred any warrant claims in the last three Fiscals and in the three months ended June 30, 2022, there can be no assurance we will not incur any warrant claims in the future. There are events that could significantly impact our operations or expose us to third-party liabilities such as accidents and natural disasters, which could adversely affect our business, results of operation and financial condition. Furthermore, material breaches by us in the performance of our obligations may lead to contract termination or cause payment obligations to arise under applicable indemnity bonds. In addition, any accident, failure, incident or liability could negatively affect our reputation among our customers and the public, thereby making it more difficult for us to compete effectively and could significantly impact the cost.

***44. Our failure to keep technical knowledge confidential could erode our competitive advantage***

We work closely with our customers to incorporate their technology into our systems for cable and wire harness assemblies and as part of system integration projects. The technology and the expertise is transferred to our Company through knowledge transfer, exchange of technical documents and on-job training of our employees. Our technical knowledge is a significant independent asset, which may not be adequately protected by intellectual property rights. Some of our technical knowledge is protected only by secrecy. As a result, we cannot be certain that our technical knowledge will remain confidential in the long run.

Certain proprietary knowledge may be leaked, either inadvertently or wilfully, at various stages of the production process. A significant number of our employees have access to confidential design and product information and there can be no assurance that this information will remain confidential. Moreover, certain of our employees may leave us and join our various competitors. While we may enter into non-disclosure agreements with our employees, there can be no assurance that such agreements will be successful in protecting our technical knowledge. The potential damage from such disclosure is increased as many of our designs and products are not patented, and thus we may have no recourse against copies of our products and designs that enter the market subsequent to such leakages. If the confidential technical information in respect of our products or business becomes available to third parties or to the public, any competitive advantage we may have over our competitors could be harmed. If a competitor is able to reproduce or otherwise capitalize on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Consequently, any leakage of confidential technical information could have a material adverse effect on our business, results of operations, financial condition and/or prospects.

**45. Our business could be negatively affected by cyber or other security threats or other disruptions.**

As an IOP involved in executing various projects, we face cyber threats, threats to the physical security of our facility and employees, and terrorist acts, as well as the potential for business disruptions associated with information technology failures, natural disasters, or public health crises. We have installed anti-virus software to prevent our systems and infrastructure from being infected and crippled by computer viruses. All our internet facing servers installed at our offices are also secured with firewalls and intrusion preventions systems to prevent hacking. In the past we have not faced any cyber security disruptions in the past, however, we cannot assure you that we will not face any such threats in the future.

The threats we face vary from attacks common to most industries to more advance and persistent, highly organised adversaries who target us because we protect national security information. If we are unable to protect sensitive information, our customers or governmental authorities could question the adequacy of our threat mitigation and detection processes and procedures. Due to the evolving nature of these security threats, however, the impact of any future incident cannot be predicted.

Although we work cooperatively with our customer and suppliers to seek to minimise the impact of cyber threats, other security threats or business disruptions, we must rely on the safeguards put in place by these entities, which may affect the security of our information. These entities have varying levels of cyber security expertise and safeguards and their relationships with government contractors may increase the likelihood that they are targeted by the same cyber threats we face. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Occurrence of any of these events could adversely affect our internal operations, the services we provide to our customers, loss of competitive advantages derived from our research, design and development efforts or other intellectual property, early obsolescence of our products and services, our future financial results, our reputation or our stock price.

**46. If we fail to manage acquisitions, divestitures, and other transactions successfully, our financial results, business, and future prospects could be harmed.**

We often compete with others for the same opportunities. Joint ventures, investment transactions and divestiture often require substantial management resources and have the potential to divert our attention from our existing business. Unidentified pre-closing liabilities could affect our future financial results. Inability to manage the completion and closing of such transactions can lead to operating synergies not being realised and thereby affect our financial performance.

Joint ventures or equity investments operate under shared control with other parties. Our operating results may be affected by the performance of businesses over which we do not exercise control. Management closely monitors the results of operations and cash flows generated by these investees. If we fail to manage acquisitions, divestitures, and other transactions successfully, our financial results, business, and future prospects could be harmed.

**47. There are outstanding tax proceedings and statutory matter involving our Company. Any adverse decision in such proceedings may expose us to liabilities or penalties and may adversely affect our business, financial condition, results of operations and cash flows.**

As on the date of this Red Herring Prospectus, we are involved in certain tax (direct tax) proceedings, which are pending before the authorities. We cannot assure you that these legal proceedings will be decided in our favour. Decision in proceeding adverse to our interests may have a significant adverse effect on our business, financial condition, results of operations and cash flows. In relation to tax proceeding, in the event of any adverse outcome, we may be required to pay the disputed amounts along with applicable interest and penalty and may also incur additional tax incidence going forward. A summary of pending proceedings involving our Company is provided below:

| Type of Proceedings              | Number of cases | Amount^ (₹ million) |
|----------------------------------|-----------------|---------------------|
| <b>Cases against our Company</b> |                 |                     |
| Claims related to direct taxes   | 1               | 1.41                |
| <b>Total</b>                     | 1               | 1.41                |

<sup>^</sup>To the extent applicable

The amounts claimed in the proceeding have been disclosed to the extent ascertainable. If any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current or long term liabilities.

***48. We are dependent on a number of key personnel, including our Promoter and senior management, and the loss of, or our inability to hire, retain, train, and motivate qualified personnel could adversely affect our business, results of operations and financial condition.***

Our ability to compete in the highly competitive electronic sub-systems and wire harnesses industry depends upon our ability to attract, motivate, and retain qualified personnel. We are dependent on the continued contributions of our Individual Promoter, Chairman and Managing Director, Dr. H.S. Raghavendra Rao, our Non-Independent and Non-executive Director, Neal Castleman, and Sankar Krishnan Ramalingam our Whole-time Director, who are involved in the business operations of our Company. We believe that the inputs and experience of our senior management and key managerial personnel are valuable for the growth and development of business and operations and the strategic directions taken by our Company. We cannot assure you that we will be able to retain these executives or find adequate replacements in a timely manner, or at all. For further information, see “*Our Management*” and “*Our Promoters and Promoter Group*” on pages 205 and 223, respectively. The continued operations and growth of our business is dependent upon our ability to attract and retain our key personnel. Competition for qualified personnel with relevant industry expertise in India is intense. A loss of the services of our key personnel may adversely affect our business, results of operations, cash flows and financial condition.

***49. In order to be successful, we must attract and retain key employees. To the extent that we are unable to attract, develop, retain, and protect leadership talent successfully, we could experience business disruptions and impair our ability to achieve business objectives. We also lose technology/know-how to competitors if they manage to attract our employees.***

Our business has a continuing need to attract large numbers of skilled personnel to support the growth of our business. Currently, the supply in respect of individuals exceeds our demands. However, there can be no assurance that these executives will stay on beyond the period as per their employment contracts. To the extent that the demand for experienced personnel exceeds supply, we could experience higher labour, recruiting, or training costs in order to attract and retain such employees, or could experience difficulties in performing our obligations under our contracts, if our needs are not met. To the extent we lose our experienced employees, in-particular engineers through attrition, we will need to find ways to successfully manage the transfer of critical knowledge from individuals leaving us to their replacements. In Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2021 and June 30, 2022, our attrition rate was 2.23%, 2.50%, 2.24%, 2.61% and 0.83%, respectively.

However, there can be no assurance that we may be able to find immediate replacements or suitable replacements if at all, which could have an impact on our ongoing programs. To the extent that we are unable to attract, develop, retain, and protect leadership talent successfully, we could experience business disruptions and this could impair our ability to achieve business objectives.

***50. Our business involves significant risks and uncertainties, and our insurance coverage may not be adequate, or we may incur uninsured losses or losses in excess of our insurance coverage.***

Our business relates to manufacturing advanced defence systems and products. New technologies may be untested or unproven. Failure of some of these products and services could result in extensive loss of life or property damage in some circumstances. While we may be entitled to certain legal protections or indemnifications from our customers, either through contractual provisions, qualification of our products and services or otherwise, we may rely on our insurance to cover all claims and liabilities, which may not be adequate. Further, it is not possible to obtain insurance to protect against all operational risks and liabilities. Further, in case our claims under any insurance maintained by us is rejected, it may have an adverse effect on our financial condition.

Further, our operations are subject to risks inherent to the manufacturing industry, such as work accidents, storm, fire, tempest, earthquake, flood, inundation, explosions including hazards that may cause severe damage, including the physical destruction of property, breakdown of machinery and other force majeure events. We are subject to losses resulting from defects or damages arising during transit of our products. We maintain insurance coverage, in amounts which we believe are commercially appropriate, including insurance in relation to standard fire and special perils, burglary, group health, physical destruction of property, storm, fire, tempest and all industrial risks.

As of March 31, 2020, 2021 and 2022, and as of June 30, 2021 and June 30, 2022, the aggregate coverage of the insurance policies obtained by us on insurable fixed assets was ₹ nil, ₹ 215.00 million, ₹ 286.96 million, ₹ 275.53 million and ₹ 286.96 million, respectively. Further, our insurance cover as a percentage of total insurable fixed assets was nil, 185.15%, 265.85%, 247.02% and 275.71%, respectively, as of March 31, 2020, 2021 and 2022 and as of June 30, 2021 and June 30, 2022. Further as of March 31, 2020, 2021 and 2022 and as of June 30, 2021 and June 30, 2022, the aggregate coverage of the insurance policies obtained by us on inventory was ₹ 250.00 million, ₹ 500.00 million, ₹ 1,440.00 million, ₹ 1,440.00 million and ₹ 1,440.00 million, respectively which as a percentage of total inventory was 32.38%, 24.79%, 528.42%, 99.82% and 179.28%, respectively. We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. While there have not been any instances where claims have exceeded our insurance coverage, there can be no assurance that there will not be any claims in future that exceed our insurance coverage.

While we believe that we have obtained insurance against losses that are most likely to occur in our line of business, there may be certain losses that may not be covered by the Company, which we have not ascertained as of the date. Substantial claims resulting from an accident, failure of our product or service, or other incident, or liability arising from our products in excess of any indemnity and our insurance coverage (for which indemnity or insurance is not available or not obtained) could harm our financial condition, cash flows, or operating results. Any accident, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively. It also could affect the cost and availability of adequate insurance in the future. Therefore, we cannot assure you that we will continue to accurately ascertain and maintain adequate insurance policies for losses that may be incurred in the future. For further information on the insurance policies availed by us, see “*Our Business - Insurance*” on page 189.

**51. Our Statutory Auditors have included certain emphasis of matters in their examination report.**

Our Statutory Auditors have included certain emphasis of matters in their examination report:

**March 31, 2020**

*“Emphasis of matter paragraph has been included for year 19-20 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**March 31, 2021**

*“Emphasis of matter paragraph has also been included for year 20-21 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**March 31, 2022**

*“Emphasis of matter paragraph has also been included for year 21-22 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**June 30, 2021**

*“Emphasis of matter paragraph has also been included for fiscal three months ended June 30, 2021 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**June 30, 2022**



*“Emphasis of matter paragraph has also been included for fiscal three months ended June 30, 2022 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

There can be no assurance that any similar emphasis of matters will not form part of our financial statements for the future fiscal periods, which could subject us to additional liabilities due to which our reputation and financial condition may be adversely affected.

***52. Our operating and financial performance may be harmed as a consequence of breaches of our contractual commitments.***

The timely and satisfactory execution of our contractual commitments depends upon numerous factors, including quality of our products, our services rendered and committed delivery schedules. The failure by us to deliver, in a timely manner or at all, the products and services we are obliged to deliver, or any fault in contract execution (including as a result of delays or breaches by our suppliers), may lead to higher costs or penalties or the calling of performance bonds. This may negatively affect our results of operation and financial condition.

***53. Security breaches in classified government systems could adversely affect our business.***

Many of the programmes that we manufacture and maintain involve managing and protecting information involved in intelligence, national security and other classified government functions. We have entered into standard non-disclosure agreements in order to maintain confidentiality of information as a breach of such information could cause serious harm to our business, damage our reputation and prevent us from being eligible for further work on critical classified systems for the Indian Defence Services. Damage to our reputation or limitations on our eligibility for additional work resulting from a security breach in one of the systems we develop, install and maintain could materially reduce our revenue.

***54. We may not be successful in improving inadequacies in our information and reporting systems.***

Effective information and reporting systems are critical to our operations. Among other things, we rely on timely access to reliable information in order to provide services to our customers and prudently manage our assets and liabilities, liquidity and overall financial condition. In addition, our ability to manage our operational risk depends on access to such information. We are implementing a new centralised core system and upgrading our enterprise resource planning system, but we cannot assure you that this will be completed successfully. In addition, we cannot assure you of the adequacy of our reporting systems, that our new information technology system will not become quickly out-dated or that our employees will be adequately trained in how to operate or comply with such systems.

Further upgrades of our information and reporting systems take time and may entail significant technical and implementation risks. We cannot assure you that our systems will be adequate to address our information and reporting inadequacies, or that we will be able to respond to technological advances and changing industry standards and practices on a cost effective and timely basis. If our systems are inadequate or quickly become out-dated or our employees are not adequately trained in how to operate and comply with such systems, our financial condition, liquidity and results of operations could be materially and adversely affected.

***55. We have power and fuel requirements and any disruption to power sources could increase our production costs and adversely affect our results of operations.***

We require power and fuel at our manufacturing facility. For Fiscal 2020, 2021 and 2022, and in the three months ended June 30, 2021 and June 30, 2022, our power and fuel expenses were ₹ 1.88 million, ₹ 2.31 million, ₹ 2.61 million, ₹ 0.27 million and ₹ 0.76 million, constituting 0.04%, 0.03%, 0.02%, 0.02% and 0.03%, respectively, of our revenue from operations. If energy costs were to rise, or if electricity supplies or supply arrangements were disrupted, our profitability could decline.

We source most of our electricity requirements for our manufacturing facility from the state electricity board. The cost of electricity from state electricity board could be significantly higher, thereby adversely affecting our cost of production and profitability. Further, natural disasters or adverse conditions may occur in the geographical areas in which we operate including severe weather, tropical storms, floods, excessive rainfalls as well as other events beyond our control. If for any reason such electricity is not available, we may need to shut down our plants

until an adequate supply of electricity is restored. Interruptions of electricity supply can also result in production shutdowns, increased costs associated with restarting production and the loss of production in progress.

***56. We appoint contract labour for carrying out certain of our ancillary operations and we may be held responsible for paying the wages of such workers, if the independent contractors through whom such workers are hired default on their obligations, and such obligations could have an adverse effect on our results of operations, cash flows and financial condition.***

In addition to our full time employees we frequently hire workers on a contractual basis primarily in connection with our manufacturing activities and as of June 30, 2022, we had 23 contract labours. In order to retain flexibility and control costs, we appoint independent contractors who in turn engage on-site contract labour for performing certain of our ancillary operations, including, assisting in civil, mechanical and electrical related works and housekeeping activities. The numbers of contract labourers vary from time to time based on the nature and extent of work contracted to independent contractors. Although we do not engage these labourers directly, we may be held responsible for any wage payments to be made to such labourers in the event of default by such independent contractors. All contract labourers engaged at our facilities are assured minimum wages that are fixed by the state government from time to time. Any upward revision of wages that may be required by the state government to be paid to such contract labourers, or offer of permanent employment or the unavailability of the required number of contract labourers, may adversely affect the business and future results of our operations.

***57. If we are unable to maintain and enhance our brand, the sales of our products will suffer, which would have a material adverse effect on our results of operations.***

We believe that our brand plays a significant role in the success of our business and in sustaining customer loyalty. The ability to differentiate our brand and products from that of our competitors is an important factor in attracting customers. There can be no assurance that our brand name will not be adversely affected in the future by actions that are beyond our control including customer complaints or adverse publicity from any other source in India and abroad. Any damage to our brand name, if not immediately and sufficiently remedied, could have an adverse effect on our reputation, competitive position in India and abroad, business, financial condition, results of operations and cash flows.

Maintaining and enhancing our brand image may also require us to undertake significant expenditures towards employee development and training. If our initiatives in any of these areas are not effectively implemented or our products fail to find acceptance with our existing and potential customers resulting in loss of customer confidence in our brand for any reason, our ability to attract and retain customers could be adversely affected.

***58. Industry information included in this Red Herring Prospectus has been derived from an industry report prepared by Frost & Sullivan (India) Private Limited exclusively commissioned and paid for by us for such purpose.***

We have availed the services of an independent third-party research agency, Frost & Sullivan (India) Private Limited appointed by our Company on January 7, 2022, to prepare an industry report titled “*The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment*” dated September 19, 2022, for purposes of inclusion of such information in this Red Herring Prospectus to understand the industry in which we operate, and exclusively commissioned and paid for by our Company for purposes of inclusion of such information in the Offer documents at an agreed fees to be paid by our Company. Given the scope and extent of the Company Commissioned F&S Report, disclosures are limited to certain excerpts and the Company Commissioned F&S Report has not been reproduced in its entirety in this Red Herring Prospectus. There are no parts, data or information (which may be relevant for the proposed issue), that has been left out or changed in any manner. Also see, “*Certain Conventions, Presentation of Financial, Industry and Market Data – Industry and Market Data*” on page 13.

***59. If we are unable to sustain or manage our growth or implement our strategies, our business, results of operations and financial condition may be materially adversely affected.***

Our operations have grown over the last three Fiscals and in the three months ended June 30, 2022. Our revenue from operations has increased at a CAGR of 56.64% from ₹ 4,492.62 million in Fiscal 2020 to ₹ 11,022.73 million in Fiscal 2022, and was ₹ 1,229.14 million and ₹ 2,132.54 million, respectively in the three months ended June 30, 2021 and three months ended June 30, 2022, and our Adjusted EBITDA has increased at a CAGR of 53.06% from ₹ 452.00 million in Fiscal 2020 to ₹ 1,058.97 million in Fiscal 2022 and was ₹ 116.27 million and ₹ 243.45

million in the three months ended June 30, 2021 and June 30, 2022, respectively. We may not be able to sustain our rates of growth, due to a variety of reasons including a decline in the demand for wires and cables or other electronic subsystems products, increased price competition, the lack of availability of raw materials, lack of management availability or a general slowdown in the economy. A failure to sustain our growth may have a material adverse effect on our business, results of operations and financial condition.

We are embarking on a growth strategy that involves expansion of our operations through addition of new business verticals, expanding our customer base and international presence, and improving our operational efficiencies through backward integration, supply chain rationalisation and effective resource planning. Our growth strategy will place significant demands on our management as well as our financial, accounting and operating systems. For example, focus on adjacent industry verticals leading to expansion of customer base and pursue inorganic growth through selective acquisitions. For further information, see “*Our Business - Strategies*” beginning on page 170.

As our project pipeline grow, we may require additional personnel on our project management, in-house quality assurance and engineering teams to work with our partners on quality assurance, regulatory affairs and product development. As a result, our operating expenses and capital requirements may increase significantly. Our ability to manage our growth effectively requires us to forecast accurately our sales, growth and manufacturing capacity and to spend funds to improve our operational, financial and management controls, reporting systems and procedures. We may also be exposed to certain other risks, including difficulties arising from operating a larger and more complex organisation; the failure to (i) efficiently and optimally allocate management, technology and other resources across our organisation, (ii) compete effectively with competitors and (iii) increase our production capacity; the inability to control our costs; and unforeseen legal, regulatory, property, labour or other issues.

We may also face difficulties in effectively implementing new technologies required in designing, developing and manufacturing new products and solutions and may not be able to recover our investments. An inability to implement our future business plan, manage our growth effectively or failure to secure the required funding on favourable terms or at all could have a material and adverse effect on our business, future financial performance and results of operations.

Further, as we scale-up and diversify into new business verticals, we may not be able to execute our operations efficiently, which may result in delays, increased costs and lower quality products. We cannot provide assurances that our future performance or growth strategy will be successful. Our failure to manage our growth effectively may have a material adverse effect on our business, results of operations and financial condition.

***60. Our Promoters, certain of our Directors and Key Managerial Personnel may have interests other than reimbursement of expenses incurred and normal remuneration or benefits.***

Our Promoters, certain of our Directors and Key Managerial Personnel are interested in our Company, in addition to regular remuneration or benefits and reimbursement of expenses and such interests are to the extent of their, their relatives and their company’s shareholding in our Company, payment of dividend or distributions thereon. For the payments that are made by our Company to related parties including remuneration to our Directors and our Key Managerial Personnel, see “*Summary of the Offer Document– Summary of Related Party Transactions*” on page 22. Dr. H.S. Raghavendra Rao, has given personal guarantees and has mortgaged his property for the working capital facilities sanctioned to our Company. Further, one of our Promoter Selling Shareholders, VNG Technology Private Limited, has provided guarantees to financial institutions in relation to the working capital facility sanctioned to the Company. Our Promoters may be considered to be interested, to the extent of security created and guarantees provided, as aforesaid. We cannot assure you that our Promoters, Directors and Key Managerial Personnel will exercise their rights to the benefit and best interest of our Company. As Shareholders of our Company, our Promoters, Directors or Key Managerial Personnel, may take or block actions with respect to our business which may conflict with the interests of the minority shareholders of our Company. For further information on the interest of our Promoters, Directors and Key Managerial Personnel see, “*Our Management*” on page 205 and “*Promoters and Promoter Group*” on page 233.

***61. Restrictions on the export of our products and other regulations could adversely affect our business, results of operations and financial condition.***

We manufacture defence products considered to be of national strategic interest. The export of such products outside the Indian domestic market is subject to licensing, export controls, various regulations which are all subject to the clearance of the GoI. For further information in relation to the specific regulations applicable in India in

relation to the defence sector and export of products by the defence sector see the section entitled “*Key Regulations and Policies*” on page 191. To the extent exports include technologies obtained from other countries, we may also be adversely affected by export control regulations from those countries. Limitation or withdrawal, if any (in the case, for example, of embargoes or geopolitical conflicts), of the authorisation to export the products might have a significant negative impact on our operations and financial situation.

Failure to comply with these regulations and requirements could result in contract modifications or termination and the imposition of penalties, fines and withdrawal of authorisations, which could negatively affect our business, results of operations and financial condition. Authorisations can be revoked and general export controls may change in response to international conflicts or other political or geopolitical factors. Reduced access to military export markets could have a material adverse effect on our business, results of operations and financial condition.

***62. If we fail to maintain an effective system of internal controls, we may not be able to successfully manage, or accurately report, our financial risks.***

We are responsible for establishing and maintaining adequate internal measures commensurate with the size and complexity of operations. Internal control systems comprising policies and procedures are designed to ensure sound management of our operations, safekeeping of our assets, optimal utilization of resources, reliability of our financial information and compliance. The systems and procedures are periodically reviewed and routinely tested and cover all functions and business areas.

While we believe that we have adequate controls, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given the size of our operations, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to correct such internal control weaknesses. These factors may have an adverse effect on our reputation, business, results of operations, cash flows and financial condition.

***63. Our Company does not have any registered intellectual property registrations and we may be subject to intellectual property rights claims by third parties, which could require us to pay significant damages and could limit our ability to use certain technologies.***

As of the date of this Red Herring Prospectus, our Company does not have any registered trademarks. Our success and ability to compete depends, in part, on our ability to protect our trade secrets, confidential information, proprietary methods and technologies, so that we can prevent others from using our proprietary information and property. We generally rely on common law trade secret and trademark laws, and confidentiality or license agreements with our employees, suppliers, distributors, customers and other third parties, and generally limit access to and distribution of our proprietary information, in order to protect our rights and maintain our competitive position. However, we cannot guarantee that the steps we take to protect our rights will be effective. In the absence of patent, trademark and copyright registrations, we may not be able to initiate an infringement action against any third party who may be infringing our trademarks.

Further, while we take care to ensure that we comply with the intellectual property rights of third parties, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights. There may be third-party intellectual property rights, that cover or claim to cover significant aspects of our business methods. While we have not been involved in any intellectual property disputes in the past, we cannot assure you that we will not be involved in such disputes in the future, including disputes relating to our pending trademark applications.

Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate and could divert our management’s attention and other resources. These claims could also subject us to significant liability for damages, potentially including enhanced statutory damages if we are found to have wilfully infringed patents or other intellectual property rights. These claims could also result in our having to stop using technology found to be in violation of a third party’s rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. Such risks will increase as we continue to expand our operations and product offerings. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or

develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our offerings and may be unable to compete effectively. While such claims by third parties have not been made to us historically, the occurrence of any of the foregoing would adversely affect our business operations and financial results.

***64. Unforeseen environmental costs could affect our future earnings as well as the affordability of our products and services.***

Environmental laws and regulations in India impose increasingly stringent environmental protection standards on us regarding, among other things, the use and handling of hazardous waste or materials and waste disposal practices. These standards expose us to the risk of substantial environmental costs and liabilities, including liabilities associated with past activities. Our industrial activities are subject to obtaining permits, licences and/or authorisations, or subject to prior notification. Our facility must comply with these permits, licences or authorisations and are subject to regular administrative inspections. The outcome of environmental, health and safety matters cannot be predicted with certainty and there can be no assurance that we will not incur any environmental, health and safety liabilities in the future. In addition, the discovery of new facts or conditions or future changes in environmental laws, regulations or case law may result in increased liabilities that could have a material effect on our business, financial condition and results of operations.

***65. We have issued Equity Shares during the preceding 12 months at prices that may be lower than the Offer Price.***

We have, in the 12 months preceding the filing of this Red Herring Prospectus, issued Equity Shares at prices that may be lower than the Offer Price. See “*Capital Structure – Notes to Capital Structure - Issue of Equity Shares at a price lower than the Offer Price in preceding one year from date of the Red Herring Prospectus*” on page 86. The price at which our Company has issued the Equity Shares in the past is not indicative of the price at which they will be issued or traded.

***66. Our Company may not be able to pay dividends in the future. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures and the terms of our financing arrangements.***

Our Company has not paid any dividend in the last three years, in the three months ended June 30, 2022 and from July 1, 2022 until the date of filing of this Red Herring Prospectus. Any dividends to be declared and paid in the future are required to be recommended by our Company’s Board of Directors and approved by its Shareholders, at their discretion, subject to the provisions of the Articles of Association and applicable law, including the Companies Act. Our Company’s ability to pay dividends in the future is determined by the Dividend Policy adopted by our Company and will depend upon factors including but not limited to the profitable growth of our Company, the cash flow position of our Company, accumulated reserves, business cycles, economic environment, changes in the government policies, industry specific rulings and regulatory provisions and other factors considered relevant by our Board. We cannot assure you that we will generate sufficient revenues to cover our operating expenses and, as such, pay dividends to our Company’s shareholders in future consistent with our past practices, or at all. Additionally, in the future, we may be restricted by the terms of our financing agreements in making dividend payments unless otherwise agreed with our lenders. For further information pertaining to dividends declared by our Company, see “*Dividend Policy*” on page 232 of this Red Herring Prospectus.

***67. We have in this Red Herring Prospectus included certain non-GAAP financial measures and certain other industry measures related to our operations and financial performance. These non-GAAP measures and industry measures may vary from any standard methodology that is applicable across the Indian electronic system and cable harness industry, and therefore may not be comparable with financial or industry-related statistical information of similar nomenclature computed and presented by other companies.***

Certain non-GAAP financial measures and certain other industry measures relating to our operations and financial performance have been included in this Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other industry related statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of Indian electronic system and cable harness industry, many of which provide such non-GAAP financial measures and other industry related statistical and operational information.

Such supplemental financial and operational information is therefore of limited utility as an analytical tool, and investors are cautioned against considering such information either in isolation or as a substitute for an analysis of our audited financial statements as reported under applicable accounting standards disclosed elsewhere in this Red Herring Prospectus.

These non-GAAP financial measures and such other industry related statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and industry related statistical information of similar nomenclature that may be computed and presented by other companies. For further information, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Measures*” on page 292.

***68. Our operations may involve certain transactions in or with countries or persons that are subject to U.S. and other sanctions.***

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries that are the subject of comprehensive sanctions and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. We may enter into transactions with suppliers or logistics providers who may be doing business with countries to which certain OFAC-administered and other sanctions apply. There can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. If it were determined that transactions in which we participate violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. We rely on our staff to be up-to-date and aware of the latest sanctions in place. Further, investors in the Equity Shares could incur reputational or other risks as the result of our customers’ dealings in or with countries or with persons that are the subject of U.S. sanctions.

**External Risk Factors**

***Risks relating to India***

***69. Changing regulations in India could lead to new compliance requirements that are uncertain.***

The regulatory and policy environment in which we operate are evolving and are subject to change. The GoI may implement new laws or other regulations and policies that could affect our business in general, which could lead to new compliance requirements, including requiring us to obtain approvals and licenses from the Government and other regulatory bodies, or impose onerous requirements.

For instance, the GoI has recently introduced (a) the Code on Wages, 2019; (b) the Code on Social Security, 2020; (c) the Occupational Safety, Health and Working Conditions Code, 2020; and (d) the Industrial Relations Code, 2020 which consolidate, subsume and replace numerous existing central labour legislations. For further information, see “*Key Regulations and Policies in India*” on page 191. While the rules for implementation under these codes have not been notified, we are yet to determine the impact of all or some such laws on our business and operations which may restrict our ability to grow our business in the future and increase our expenses.

Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy in the jurisdictions in which we operate, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our business in the future. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations, financial condition and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current businesses or restrict our ability to grow our businesses in the future. For instance, the Supreme Court of India has in its decision dated February 28, 2019 has clarified that the components of basic wages which need to be considered by companies while making provident fund

payments, which resulted in an increase in the provident fund payments to be made by companies. Any such decisions in future or any further changes in interpretation of laws may have an impact on our results of operations.

***70. Natural or man-made disasters, fires, epidemics, pandemics, acts of war, terrorist attacks, civil unrest and other events could materially and adversely affect our business.***

Natural disasters (such as typhoons, flooding and earthquakes), epidemics, pandemics such as COVID-19 and man-made disasters, including acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to economic instability, including in India or globally, which may in turn materially and adversely affect our business, financial condition and results of operations. Our operations may be adversely affected by fires, natural disasters and/or severe weather, which can result in damage to our property or inventory and generally reduce our productivity and may require us to evacuate personnel and suspend operations.

A number of countries in Asia, including India, as well as countries in other parts of the world, are susceptible to contagious diseases and, for example, have had confirmed cases of diseases such as the highly pathogenic H7N9, H5N1 and H1N1 strains of influenza in birds and swine and more recently, the COVID-19. A worsening of the current outbreak of COVID-19 pandemic or future outbreaks of COVID-19 or a similar contagious disease could adversely affect the global economy and economic activity in the region. As a result, any present or future outbreak of a contagious disease could have a material adverse effect on our business and the trading price of the Equity Shares.

India has from time-to-time experienced instances of social, religious and civil unrest and hostilities between neighbouring countries. In April 2019, skirmishes along India's border with Pakistan and the downing of an Indian military jet fighter plane significantly escalated tensions between the two countries. India has also experienced terrorist attacks in some parts of the country. In November 2008, several coordinated shooting and bombing attacks occurred across Mumbai, India's financial capital. These attacks resulted in loss of life, property and business. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies.

***71. A downgrade in ratings of India and other jurisdictions we operate in may affect the trading price of the Equity Shares.***

Our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. Any further adverse revisions to credit ratings for India and other jurisdictions we operate in by international rating agencies may adversely impact our ability to raise additional financing. This could have an adverse effect on our ability to fund our growth on favourable terms and consequently adversely affect our business and financial performance and the price of the Equity Shares.

***72. We may be affected by competition laws in India, the adverse application or interpretation of which could adversely affect our business.***

The Competition Act, 2002, of India, as amended (“**Competition Act**”), regulates practices having an appreciable adverse effect on competition in the relevant market in India (“**AAEC**”). Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes or is likely to cause an AAEC is considered void and may result in the imposition of substantial penalties. Further, any agreement among competitors which directly or indirectly involves the determination of purchase or sale prices, limits or controls production, supply, markets, technical development, investment or the provision of services or shares the market or source of production or provision of services in any manner, including by way of allocation of geographical area, type of goods or services or number of customers in the relevant market or directly or indirectly results in bid-rigging or collusive bidding is presumed to have an AAEC and is considered void. The Competition Act also prohibits abuse of a dominant position by any enterprise. If it is proved that the contravention committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall be also guilty of the contravention and may be punished.

The Competition Act aims to, among other things, prohibit all agreements and transactions, which may have an AAEC on competition in India and all agreements entered into by us could be within the purview of the Competition Act. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive

conduct or combination occurring outside India if such agreement, conduct or combination has an AAEC in India. However, the impact of the provisions of the Competition Act on the agreements entered into by us cannot be predicted with certainty at this stage. However, since we pursue an acquisition driven growth strategy, we may be affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect our business, results of operations, cash flows and prospects.

***73. Financial instability in other countries may cause increased volatility in Indian financial markets.***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, including conditions in the United States, Europe and certain emerging economies in Asia. Financial turmoil in the United States, Asia and elsewhere in the world in recent years has adversely affected the Indian economy. Any worldwide financial instability may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector and us. Although economic conditions vary across markets, loss of investor confidence in one emerging economy may cause increased volatility across other economies, including India.

Financial instability in other parts of the world could have a global influence and thereby negatively affect the Indian economy. Financial disruptions could materially and adversely affect our business, prospects, financial condition, results of operations and cash flows. Further, economic developments globally can have a significant impact on our principal markets. Concerns related to a trade war between large economies may lead to increased risk aversion and volatility in global capital markets and consequently have an impact on the Indian economy. Following the United Kingdom's exit from the European Union ("Brexit"), there remains significant uncertainty around the terms of their future relationship with the European Union including trade agreements between the United Kingdom and European Union and, more generally, as to the impact of Brexit on the general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets.

In addition, China is one of India's major trading partners and there are rising concerns of a possible slowdown in the Chinese economy as well as a strained relationship with India, which could have an adverse impact on the trade relations between the two countries. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, implemented a number of policy measures designed to add stability to the financial markets. However, the overall long-term effect of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. Any significant financial disruption could have a material adverse effect on our business, financial condition and results of operation. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict our access to capital. This could have a material adverse effect on our business, financial condition and results of operations and reduce the price of the Equity Shares.

Since December 2019, the ongoing outbreak of COVID-19 has affected countries globally, with the World Health Organisation declaring the outbreak as a pandemic in March 2020. There have been border controls, lockdowns and travel restrictions imposed by various countries, as a result of the COVID-19 outbreak. Such an outbreak of an infectious disease together with the resulting restrictions on travel and/or imposition of lockdown measures have resulted in protracted volatility in domestic and international markets has resulted in a global slowdown and crisis. In particular, the COVID-19 outbreak has caused stock markets worldwide to fluctuate significantly in value and has impacted global economic activity. A number of governments have revised gross domestic product growth forecasts for 2020 and 2021 downwards in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 will cause a prolonged global economic crisis or recession.

If we are unable to successfully anticipate and respond to changing economic and market conditions, our business, results of operations and financial condition and prospects may be adversely affected.

***74. The Indian tax regime has undergone substantial changes which could adversely affect our business and the trading price of the Equity Shares.***



Any change in Indian tax laws could have an effect on our operations. For instance, the Taxation Laws (Amendment) Act, 2019, prescribes certain changes to the income tax rate applicable to companies in India. According to this Act, companies can henceforth voluntarily opt in favour of a concessional tax regime (subject to no other special benefits/exemptions being claimed), which would ultimately reduce the effective tax rate (on gross basis) for Indian companies from 34.94% to approximately 25.17%. Any such future amendments may affect our ability to claim exemptions that we have historically benefited from, and such exemptions may no longer be available to us. Due to COVID -19 pandemic, the Government of India had also passed the Taxation and Other Laws (Relaxation of Certain Provisions) Act, 2020, implementing relaxations from certain requirements under, amongst others, the Central Goods and Service Tax Act, 2017 and Customs Tariff Act, 1975.

The Government of India has also implemented two major reforms in Indian tax laws, namely the GST, and provisions relating to general anti-avoidance rules (“GAAR”). The indirect tax regime in India has undergone a complete overhaul. The indirect taxes on goods and services, such as central excise duty, service tax, central sales tax, state value added tax, surcharge and excise have been replaced by Goods and Service Tax with effect from July 1, 2017. The GST regime is relatively new and therefore is subject to amendments and its interpretation by the relevant regulatory authorities. GAAR became effective from April 1, 2017. The tax consequences of the GAAR provisions being applied to an arrangement may result in, among others, a denial of tax benefit to us and our business. In the absence of any precedents on the subject, the application of these provisions is subjective. If the GAAR provisions are made applicable to us, it may have an adverse tax impact on us. Further, if the tax costs associated with certain of our transactions are greater than anticipated because of a particular tax risk materializing on account of new tax regulations and policies, it could affect our profitability from such transactions.

The Finance Act, 2020 has, amongst other things, provided a number of amendments to the direct and indirect tax regime, including, without limitation, a simplified alternate direct tax regime. For instance, dividend distribution tax (“DDT”) will not be payable by a domestic company in respect of dividends declared, distributed or paid by the company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident and are likely be subject to tax deduction at source. The Company may or may not grant the benefit of a tax treaty (where applicable) to a non-resident shareholder for the purposes of deducting tax at source from such dividend. Investors should consult their own tax advisors about the consequences of investing or trading in the Equity Shares.

Further, the Government of India recently proposed additional tax measures in Finance Act, 2022 and Union Budget for Fiscal 2023 which, among others, requires the taxpayers to explain sources of cash credits, extended the anti-tax avoidance provision to bonus stripping of securities and repeals the 15% concessional rate on foreign dividends. We cannot predict whether any amendments made pursuant to the Finance Act 2022 would have an adverse effect on our business, financial condition, future cash flows and results of operations. Unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals.

We cannot predict whether any new tax laws or regulations impacting our services will be enacted, what the nature and impact of the specific terms of any such laws or regulations will be or whether if at all, any laws or regulations would have an adverse effect on our business.

Further, any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our profitability. In addition, we are subject to tax related inquiries and claims. We may be particularly affected by claims from tax authorities on account of income tax assessment and GST that combines taxes and levies by the central and state governments into one unified rate of interest with effect from July 1, 2017.

***75. If inflation were to rise in India, we might not be able to increase the prices of our products at a proportional rate in order to pass costs on to our customers thereby reducing our margins.***

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. India has experienced high inflation in the recent past. Increased inflation can contribute to an increase in interest rates and increased costs to our business, including increased costs of wages and other expenses relevant to our business.

High fluctuations in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in inflation in India can increase our expenses, which we may not be able to adequately pass on to our customers, whether entirely or in part, and may adversely affect our business and financial condition. In particular, we might not be able to reduce our costs or increase the price of our products to pass the increase in

costs on to our customers. In such case, our business, results of operations, cash flows and financial condition may be adversely affected.

Further, the Government of India has previously initiated economic measures to combat high inflation rates, and it is unclear whether these measures will remain in effect. There can be no assurance that Indian inflation levels will not worsen in the future.

***76. A third-party could be prevented from acquiring control of us post this Offer, because of anti-takeover provisions under Indian law.***

As a listed Indian entity, there are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company subsequent to completion of the Offer. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our shareholders, such a takeover may not be attempted or consummated because of Takeover Regulations.

***77. Investors may not be able to enforce a judgment of a foreign court against us, our Directors, the BRLMs or any of their directors and executive officers in India respectively, except by way of a lawsuit in India.***

Our Company is a company incorporated under the laws of India and all of our Directors, except Neal Jeremy Castleman are located in India. Nearly all of our assets, our Key Managerial Personnel and officers are also located in India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons in jurisdictions outside India, or to enforce judgments obtained against such parties outside India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, or if judgments are in breach or contrary to Indian law. In addition, a party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate outside India any amounts recovered.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. India has reciprocal recognition and enforcement of judgments in civil and commercial matters with only a limited number of jurisdictions, such as the United Kingdom, United Arab Emirates, Singapore and Hong Kong. In order to be enforceable, a judgment from a jurisdiction with reciprocity must meet certain requirements established in the Indian Code of Civil Procedure, 1908. The CPC only permits the enforcement and execution of monetary decrees in the reciprocating jurisdiction, not being in the nature of any amounts payable in respect of taxes, other charges, fines or penalties. Judgments or decrees from jurisdictions which do not have reciprocal recognition with India, including the United States, cannot be enforced by proceedings in execution in India. Therefore, a final judgment for the payment of money rendered by any court in a non-reciprocating territory for civil liability, whether or not predicated solely upon the general laws of the non-reciprocating territory, would not be directly enforceable in India. The party in whose favour a final foreign judgment in a non-reciprocating territory is rendered may bring a fresh suit in a competent court in India based on the final judgment within three years of obtaining such final judgment. However, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with the public policy in India. Further, there is no assurance that a suit brought in an Indian court in relation to a foreign judgment will be disposed of in a timely manner. In addition, any person seeking to enforce a foreign judgment in India is required to obtain the prior approval of the RBI to repatriate any amount recovered, and we cannot assure that such approval will be forthcoming within a reasonable period of time, or at all, or that conditions of such approval would be acceptable. Such an amount may also be subject to income tax in accordance with applicable law.

***Risks relating to the Equity Shares and this Offer***

***78. The Offer Price of the Equity Shares may not be indicative of the market price of the Equity Shares after the Offer.***

Prior to the Offer, there has been no public market for the Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Offer. Listing and quotation does not guarantee that a market for the Equity Shares will develop, or if developed, the liquidity of such market for the Equity Shares. The Offer Price of the Equity Shares will be determined by our Company in consultation with the BRLMs through the Book Building Process. This price will be based on numerous factors, as described under “*Basis for Offer Price*” on page 112 and may not be indicative of the market price of the Equity Shares at the time of commencement of trading of the Equity Shares or at any time thereafter. The market price of the Equity Shares may be subject to significant fluctuations in response to, among other factors, variations in our operating results of our Company, market conditions specific to the industry we operate in, developments relating to India, volatility in securities markets in jurisdictions other than India, problems such as temporary closure, broker default and settlement delays experienced by the Indian Stock Exchanges, strategic actions by us or our competitors, variations in the growth rate of financial indicators, variations in revenue or earnings estimates by research publications, and changes in economic, legal and other regulatory factors. Consequently, the price of our Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Offer Price, or at all.

There has been significant volatility in the Indian stock markets in the recent past, and our Equity Share price could fluctuate significantly because of market volatility. A decrease in the market price of our Equity Shares could cause investors to lose some or all of their investment.

***79. There is no guarantee that our Equity Shares will be listed on the stock exchanges in a timely manner or at all.***

In accordance with Indian law and practice, permission for listing and trading of our Equity Shares will not be granted until after certain actions have been completed in relation to this Offer and until Allotment of Equity Shares pursuant to this Offer. In accordance with current regulations and circulars issued of SEBI, our Equity Shares are required to be listed on the stock exchanges within such time as mandated under UPI Circulars, subject to any change in the prescribed timeline in this regard. However, we cannot assure you that the trading in our Equity Shares will commence in a timely manner or at all. Any failure or delay in obtaining final listing and trading approvals may restrict your ability to dispose of your Equity Shares.

***80. Investors may be subject to Indian taxes arising out of income arising on the sale of the Equity Shares.***

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company is generally taxable in India. A securities transaction tax (“STT”) is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realized on the sale of listed equity shares held for more than 12 months may be subject to long-term capital gains tax in India at the specified rates depending on certain factors, such as STT paid, the quantum of gains and any available treaty exemptions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Further, any capital gains realized on the sale of our Equity Shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. While non-residents may claim tax treaty benefits in relation to such capital gains income, generally, Indian tax treaties do not limit India’s right to impose tax on capital gains arising from the sale of shares of an Indian company.

Further, the Finance Act, 2020 (“**Finance Act 2020**”), passed by the Parliament of India, stipulates the sale, transfer and issue of certain securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act 2020 has also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of certain securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of certain securities, other than debentures, on a delivery basis is currently specified under the Finance Act 2020 at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These amendments have come into effect from July 1, 2020. Under the Finance Act 2020, any dividends paid by an Indian company will be subject to tax in the hands of the shareholders at applicable rates. Such taxes will be withheld by the Indian company paying dividends.

Additionally, the Finance Act 2020 does not require DDT to be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident. The Company may or may not grant the benefit of a tax treaty (where applicable) to a non-resident shareholder for the purposes of deducting tax at source pursuant to any corporate action including dividends.

Further, the Government of India recently proposed additional tax measures in Finance Act, 2022 and Union Budget for Fiscal 2023 which, among others, requires the taxpayers to explain sources of cash credits, extended the anti-tax avoidance provision to bonus stripping of securities and repeals the 15% concessional rate on foreign dividends.. Unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

***81. Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares they purchase in the Offer.***

The Equity Shares will be listed on the Stock Exchanges. Pursuant to applicable Indian laws, certain actions must be completed before the Equity Shares can be listed and trading in the Equity Shares may commence. Investors' book entry, or 'demat' accounts with depository participants in India, are expected to be credited with the Equity Shares within one working day of the date on which the Basis of Allotment is approved by the Stock Exchanges. The Allotment of Equity Shares in this Offer and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately six Working Days from the Bid Closing Date and trading in the Equity Shares upon receipt of final listing and trading approvals from the Stock Exchanges is expected to commence within six Working Days of the Bid Closing Date. There could be a failure or delay in the listing of the Equity Shares on the Stock Exchanges. Any failure or delay in obtaining the approval or otherwise any delay in commencing trading in the Equity Shares would restrict investors' ability to dispose of their Equity Shares. There can be no assurance that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified in this risk factor. We could also be required to pay interest at the applicable rates if allotment is not made, refund orders are not dispatched or demat credits are not made to investors within the prescribed time periods.

***82. Any future issuance of Equity Shares, or convertible securities or other equity linked instruments by us may dilute your shareholding and sale of Equity Shares by shareholders with significant shareholding may adversely affect the trading price of the Equity Shares.***

We may be required to finance our growth through future equity offerings. Any future equity issuances by us, including a primary offering of Equity Shares, convertible securities or securities linked to Equity Shares including through exercise of employee stock options, may lead to the dilution of investors' shareholdings in our Company. Any future equity issuances by us or sales of our Equity Shares by our shareholders may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of our Equity Shares or incurring additional debt. Any disposal of Equity Shares by our major shareholders or the perception that such issuance or sales may occur, including to comply with the minimum public shareholding norms applicable to listed companies in India may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of the Equity Shares or incurring additional debt. There can be no assurance that we will not issue Equity Shares, convertible securities or securities linked to Equity Shares or that our Shareholders will not dispose of, pledge or encumber their Equity Shares in the future. Any future issuances could also dilute the value of your investment in the Equity Shares. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of our Equity Shares.

***83. Under Indian law, foreign investors are subject to investment restrictions that limit our ability to attract foreign investors, which may adversely affect the trading price of the Equity Shares.***

Under foreign exchange regulations currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the pricing guidelines and reporting requirements under applicable law. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or falls under any of the exceptions referred to above, then a prior regulatory approval will be required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the relevant regulatory approval having been obtained for the sale of

shares and corresponding remittance of the sale proceeds. As provided in the foreign exchange controls currently in effect in India, the RBI has provided that the price at which the Equity Shares are transferred be calculated in accordance with internationally accepted pricing methodology for the valuation of shares at an arm's length basis, and a higher (or lower, as applicable) price per share may not be permitted.

In addition, pursuant to the Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the DPIIT, which has been incorporated as the proviso to Rule 6(a) of the FEMA Non-debt Rules, all investments under the foreign direct investment route by entities of a country which share a land border with India or where the beneficial owner of the Equity Shares is situated in or is a citizen of any such country, can only be made through the Government approval route, as prescribed in the Consolidated FDI Policy dated October 15, 2020 and the FEMA Rules. While the term "beneficial owner" is defined under the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and the General Financial Rules, 2017, neither the foreign direct investment policy nor the FEMA Rules provide a definition of the term "beneficial owner". The interpretation of "beneficial owner" and enforcement of this regulatory change involves certain uncertainties, which may have an adverse effect on our ability to raise foreign capital. Further, there is uncertainty regarding the timeline within which the said approval from the GoI may be obtained, if at all.

We cannot assure investors that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all. For further information, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 380.

***84. Significant differences exist between Ind AS and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition.***

Our Restated Financial Information for Fiscal 2020, 2021 and 2022 and the three months ended June 30, 2021 and June 30, 2022, have been prepared and presented in conformity with Ind AS. Ind AS differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should be limited accordingly.

***85. The determination of the Price Band is based on various factors and assumptions and the Offer Price of the Equity Shares may not be indicative of the market price of the Equity Shares after the Offer. Further, the current market price of some securities listed pursuant to certain previous issues managed by the BRLMs is below their respective issue prices.***

The determination of the Price Band is based on various factors and assumptions and will be determined by our Company consultation with the BRLMs. Furthermore, the Offer Price of the Equity Shares will be determined by our Company in consultation with the BRLMs through the Book Building Process. These will be based on numerous factors, including factors as described under "*Basis for Offer Price*" on page 112 and may not be indicative of the market price for the Equity Shares after the Offer.

In addition to the above, the current market price of securities listed pursuant to certain previous initial public offerings managed by the BRLMs is below their respective issue price. For further information, see "*Other Regulatory and Statutory Disclosures – Price information of past issues handled by the Book Running Lead Managers*" on page 346. The factors that could affect the market price of the Equity Shares include, among others, broad market trends, financial performance and results of our Company post-listing, and other factors beyond our control. We cannot assure you that an active market will develop or sustained trading will take place in the Equity Shares or provide any assurance regarding the price at which the Equity Shares will be traded after listing.

***86. QIBs and Non-Institutional Investors are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after the submission of their Bid, and Retail Individual Investors are not permitted to withdraw their Bids after closure of the Bid/ Offer Closing Date.***

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Investors are required to pay the Bid Amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. Retail Individual Investors can revise their Bids during the Bid/ Offer Period and withdraw their Bids until the Bid/ Offer Closing Date. While we are required to complete all necessary formalities for listing and commencement of trading of the Equity Shares on all Stock Exchanges where such Equity Shares are proposed to be listed, including Allotment, within six Working Days from the Bid/ Offer Closing Date or such other period as may be prescribed by the SEBI, events affecting the investors' decision to invest in the Equity Shares, including adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or financial condition may arise between the date of submission of the Bid and Allotment. We may complete the Allotment of the Equity Shares even if such events occur, and such events may limit the Investors' ability to sell the Equity Shares Allotted pursuant to the Offer or cause the trading price of the Equity Shares to decline on listing.

***87. Investors may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.***

Under the Companies Act, a company having share capital and incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the equity shares voting on such resolution.

However, if the law of the jurisdiction the investors are in, does not permit them to exercise their pre-emptive rights without our Company filing an offering document or registration statement with the applicable authority in such jurisdiction, the investors will be unable to exercise their pre-emptive rights unless our Company makes such a filing. If we elect not to file a registration statement, the new securities may be issued to a custodian, who may sell the securities for the investor's benefit. The value such custodian receives on the sale of such securities and the related transaction costs cannot be predicted. In addition, to the extent that the investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by them, their proportional interest in our Company would be reduced.

***88. Rights of shareholders of companies under Indian law may be more limited than under the laws of other jurisdictions.***

Our Articles of Association, composition of our Board, Indian laws governing our corporate affairs, the validity of corporate procedures, directors' fiduciary duties, responsibilities and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive and wide-spread as shareholders' rights under the laws of other countries or jurisdictions. Investors may face challenges in asserting their rights as shareholder of our Company than as a shareholder of an entity in another jurisdiction.

***89. Compliance with provisions of Foreign Account Tax Compliance Act may affect payments on the Equity Shares.***

The U.S. "Foreign Account Tax Compliance Act" (or "FATCA") imposes a new reporting regime and potentially, imposes a 30% withholding tax on certain "foreign passthru payments" made by certain non-U.S. financial institutions (including intermediaries).

If payments on the Equity Shares are made by such non-U.S. financial institutions (including intermediaries), this withholding may be imposed on such payments if made to any non-U.S. financial institution (including an intermediary) that is not otherwise exempt from FATCA or other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered "foreign passthru payments". Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether and to what extent payments on the Equity Shares would be considered "foreign passthru payments". The United States has entered into intergovernmental agreements with many jurisdictions (including India) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address "foreign passthru payments" and whether such agreements will require us or other financial institutions to withhold or report on payments on the Equity Shares to the extent they are treated as "foreign passthru payments". Prospective investors should consult their tax advisors regarding the

consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Equity Shares.

## SECTION III - INTRODUCTION

### THE OFFER

The following table sets forth details of the Offer:

| Equity Shares Offered  |  |
|--|--|
| <b>Offer of Equity Shares</b> <sup>(1)^</sup>  | Up to [●] Equity Shares, aggregating up to ₹ 5,000.00 million  |
| <i>of which:</i>   |  |
| Fresh Issue <sup>(1)</sup>   | Up to [●] Equity Shares, aggregating up to ₹ 4,000.00 million  |
| Offer for Sale <sup>(2)</sup>  | Up to [●] Equity Shares, aggregating up to ₹ 1,000.00 million by the Promoter Selling Shareholders   |
| <b>The Offer^ consists of:</b>   |  |
| QIB Portion <sup>(3)(4)</sup>  | Not less than [●] Equity Shares  |
| <i>of which:</i>   |  |
| - Anchor Investor Portion  | Up to [●] Equity Shares  |
| - Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)                 | [●] Equity Shares  |
| <i>of which:</i>   |  |
| a) Mutual Fund Portion (5% of the Net QIB Portion)   | [●] Equity Shares  |
| b) Balance for all QIBs including Mutual Funds   | [●] Equity Shares  |
| Non-Institutional Portion  | Not more than [●] Equity Shares  |
| Retail Portion <sup>(5)</sup>  | Not more than [●] Equity Shares  |
|  |  |
| <b>Pre and post-Offer Equity Shares</b>  |  |
| Equity Shares outstanding prior to the Offer (as of the date of this Red Herring Prospectus) | 77,400,000 Equity Shares   |
| Equity Shares outstanding after the Offer  | [●] Equity Shares  |
| <b>Use of Net Proceeds</b>   | See “Objects of the Offer” on page 97 for information about the use of the proceeds from the Fresh Issue. Our Company will not receive any proceeds from the Offer for Sale. |

<sup>(1)</sup> The Offer has been authorised by our Board of Directors dated March 21, 2022, by our Shareholders pursuant to the resolutions passed at their meetings dated March 21, 2022, and by the IPO Committee pursuant to the resolutions passed at its meetings dated March 30, 2022, September 21, 2022, October 8, 2022, and October 13, 2022. Further, our Board has taken on record the approval for the Offer for Sale by the Promoter Selling Shareholders pursuant to its resolution dated March 21, 2022 and our IPO Committee has taken on record the approval for the Offer for Sale by the Promoter Selling Shareholders, pursuant to its resolution dated September 21, 2022, and October 8, 2022.

<sup>(2)</sup> Each Promoter Selling Shareholder, severally and not jointly, confirms that the Offered Shares have been held by them for a period of at least one year prior to the filing of the Draft Red Herring Prospectus, and are accordingly eligible for being offered for sale in the Offer as required by the SEBI ICDR Regulations. For more details, see “Capital Structure” beginning on page 84. The Promoter Selling Shareholders have confirmed and approved its participation in the Offer for Sale as set out below:

| S. No. | Name of Promoter Selling Shareholders | Amount of Equity Shares offered in the Offer for Sale (in ₹ million) | Date of consent letter/authorisation                   |
|--------|---------------------------------------|--|--|
| 1.     | NCBG Holdings Inc.                    | 500.00   | March 21, 2022   |
| 2.     | VNG Technology Private Limited        | 500.00   | March 21, 2022, September 17, 2022 and October 7, 2022 |

<sup>(3)</sup> Our Company in consultation with the BRLMs, may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis. The QIB Portion will accordingly be reduced for the Equity Shares allocated to Anchor Investors. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription in the Anchor Investor Portion, the remaining Equity Shares shall be added to the Net QIB Portion. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. In the event the aggregate demand from Mutual Funds is less than as specified above, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the Net QIB Portion and allocated proportionately to the QIB Bidders (other than Anchor Investors) in proportion to their Bids. For details, see “Offer Procedure” on page 360.

<sup>(4)</sup> Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in any category except in the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories of Bidders at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange, subject to applicable law. In the event of under-subscription in the Offer, subject to receiving minimum subscription for 90% of the Fresh Issue and compliance with Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, the Allotment for the valid Bids will be made in the first instance towards subscription for 100% of



*the Fresh Issue. If there remain any balance valid Bids in the Offer, the Allotment for the balance valid Bids will be made pro rata towards Equity Shares offered for sale by the Promoter Selling Shareholders. For details, see "Offer Structure" on page 357.*

- <sup>(5)</sup> *Allocation to Bidders in all categories, except the Anchor Investor Portion, Non-Institutional Investors and the Retail Portion, of any, shall be made on a proportionate basis subject to valid Bids received at or above the Offer Price, as applicable. The allocation to each Retail Individual Bidder shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. The allocation to each Non-Institutional Investor shall not be less than minimum application size as determined in accordance with SEBI ICDR Regulations, subject to the availability of Equity Shares in Non-Institutional Investors' category, and the remaining Equity Shares, if any, shall be allocated on a proportionate basis. Allocation to Anchor Investors shall be on a discretionary basis. For details, see "Offer Procedure" on page 360.*

For details, including in relation to grounds for rejection of Bids, see "Offer Structure" and "Offer Procedure" on pages 357 and 360, respectively. For details of the terms of the Offer, see "Terms of the Offer" on page 351.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from the Restated Financial Information as of and for the three months period ended June 30, 2022, and June 30, 2021, and as of and for years ended March 31, 2022, March 31, 2021, and March 31, 2020. The summary financial information presented below should be read in conjunction with “*Restated Financial Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 233 and 299, respectively.

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DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)

Restated statement of Assets and Liabilities

(All amounts in Indian Rupees Millions, unless otherwise stated)

| Particulars   | Consolidated For<br>the Quarter ended<br>30 June 2022 | Standalone For<br>the Quarter<br>ended<br>30 June 2021 | Consolidated<br>For the year<br>ended<br>31 March 2022 | Standalone For<br>the year ended<br>31 March 2021 | Standalone For<br>the year ended<br>31 March 2020 |
|---|---|--|--|---|---|
| <b>ASSETS</b>   |   |  |  |   |   |
| <b>Non-current assets</b>   |   |  |  |   |   |
| Property, plant and equipment   | 104.08  | 111.54   | 107.94   | 116.12  | 127.02  |
| Right-of-use assets   | 38.10   | 38.10  | 38.10  | 38.10   | 38.10   |
| Other intangible assets   | 0.20  | 1.58   | 0.48   | 1.78  | 0.88  |
| Financial assets  |   |  |  |   |   |
| (i) Investments   | -   | -  | -  | -   | -   |
| (ii) Other financial assets   | 0.74  | 355.16   | 3.18   | 3.10  | 6.22  |
| Deferred tax assets (net)   | 40.59   | 7.59   | 38.02  | 5.35  | 3.43  |
| Other non-current assets  | 0.50  | 0.50   | 0.50   | 0.50  | 0.50  |
| <b>Total non-current assets</b>   | <b>184.21</b>   | <b>514.47</b>  | <b>188.22</b>  | <b>164.95</b>                                     | <b>176.15</b>                                     |
| <b>Current assets</b>   |   |  |  |   |   |
| Inventories   | 803.22  | 1,442.63   | 272.51   | 2,016.76  | 772.11  |
| Financial assets  |   |  |  |   |   |
| (i) Investments   | -   | -  | -  | -   | 1.19  |
| (ii) Trade receivables  | 1,084.08  | 127.36   | 694.94   | 123.14  | 879.71  |
| (iii) Cash and cash equivalents   | 1,597.20  | 199.34   | 1,884.79   | 858.83  | 564.07  |
| (iv) Bank balances other than (iii) above   | 6,185.72  | 4,673.72   | 6,118.44   | 4,634.50  | 3,602.17  |
| (v) Other financial assets  | 3.14  | 30.54  | 50.68  | 30.54   | 30.58   |
| Other current assets  | 258.48  | 646.06   | 216.57   | 103.06  | 962.49  |
| <b>Total current assets</b>   | <b>9,931.84</b>                                       | <b>7,119.65</b>  | <b>9,237.93</b>  | <b>7,766.83</b>                                   | <b>6,812.32</b>                                   |
| <b>Total assets</b>   | <b>10,116.05</b>                                      | <b>7,634.12</b>  | <b>9,426.15</b>  | <b>7,931.78</b>                                   | <b>6,988.47</b>                                   |
| <b>EQUITY &amp; LIABILITIES</b>   |   |  |  |   |   |
| <b>Equity</b>   |   |  |  |   |   |
| Equity share capital  | 154.80  | 35.00  | 154.80   | 35.00   | 35.00   |
| Other equity  | 1,077.04  | 465.47   | 1,021.10   | 432.86  | 136.70  |
| <b>Total equity</b>   | <b>1,231.84</b>                                       | <b>500.47</b>  | <b>1,175.90</b>  | <b>467.86</b>                                     | <b>171.70</b>                                     |
| <b>Liabilities</b>  |   |  |  |   |   |
| <b>Non-current liabilities</b>  |   |  |  |   |   |
| Financial liabilities   |   |  |  |   |   |
| (i) Borrowings  | 354.40  | -  | 354.40   | -   | -   |
| (ii) Trade payables   |   |  |  |   |   |
| (iii) Other financial liabilities   |   |  |  |   |   |
| Provisions  | 10.43   | 10.36  | 10.38  | 8.29  | 8.21  |
| <b>Total non-current liabilities</b>  | <b>364.83</b>   | <b>10.36</b>   | <b>364.78</b>  | <b>8.29</b>                                       | <b>8.21</b>                                       |
| <b>Current liabilities</b>  |   |  |  |   |   |
| Financial liabilities   |   |  |  |   |   |
| (i) Borrowings  | 4,628.82  | 1,126.23   | 4,671.80   | 1,363.79  | 1,339.77  |
| (ii) Trade payables   |   |  |  |   |   |
| a) total outstanding dues of micro enterprises and small enterprises                      | 597.07  | 344.67   | 452.63   | 9.96  | 2.39  |
| b) total outstanding dues of creditors other than micro enterprises and small enterprises | 484.10  | 658.25   | 512.50   | 1,288.03  | 1,504.60  |
| (iii) Other financial liabilities   | 12.82   | 6.03   | 6.97   | 165.14  | 6.01  |
| Other current liabilities   | 2,701.10  | 4,765.11   | 2,153.17   | 4,546.43  | 3,946.08  |
| Provisions  | 0.92  | 133.91   | 0.44   | 0.41  | 0.40  |
| Current tax liabilities (net)   | 94.56   | 89.09  | 87.96  | 81.87   | 9.31  |
| <b>Total current liabilities</b>  | <b>8,519.39</b>                                       | <b>7,123.29</b>  | <b>7,885.47</b>  | <b>7,455.63</b>                                   | <b>6,808.56</b>                                   |
| <b>Total liabilities</b>  | <b>8,884.21</b>                                       | <b>7,133.65</b>  | <b>8,250.25</b>  | <b>7,463.92</b>                                   | <b>6,816.77</b>                                   |
| <b>Total equity and liabilities</b>   | <b>10,116.05</b>                                      | <b>7,634.12</b>  | <b>9,426.15</b>  | <b>7,931.78</b>                                   | <b>6,988.47</b>                                   |

| DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)      |  |                                       |                                     |                                    |                                  |                                  |
|---|--|---------------------------------------|-------------------------------------|------------------------------------|----------------------------------|----------------------------------|
| Restated Statement of Profit and Loss   |  |                                       |                                     |                                    |                                  |                                  |
| (All amounts in Indian Rupees Millions, unless otherwise stated)                  |  |                                       |                                     |                                    |                                  |                                  |
| Particulars   |  | Consolidated For the<br>Quarter ended | Standalone For the<br>Quarter ended | Consolidated For the<br>year ended | Standalone For the year<br>ended | Standalone For the<br>year ended |
|   |  | 30 June 2022                          | 30 June 2021                        | 31 March 2022                      | 31 March 2021                    | 31 March 2020                    |
| <b>Income</b>   |  |                                       |                                     |                                    |                                  |                                  |
| Revenue from operations   |  | 2132.54                               | 1229.14                             | 11,022.73                          | 6,411.63                         | 4,492.62                         |
| Other Income  |  | 70.00                                 | 57.72                               | 220.61                             | 420.79                           | 159.67                           |
| <b>Total income</b>   |  | <b>2,202.54</b>                       | <b>1,286.86</b>                     | <b>11,243.34</b>                   | <b>6,832.42</b>                  | <b>4,652.29</b>                  |
| <b>Expenses</b>   |  |                                       |                                     |                                    |                                  |                                  |
| Cost of materials Consumed  |  | 1901.27                               | 584.04                              | 9,293.43                           | 6,604.35                         | 4,311.78                         |
| Changes in inventories of finished goods and work-in-progress                     |  | 0.00                                  | 558.51                              | 712.43                             | (419.66)                         | (232.49)                         |
| Employee benefit expenses   |  | 24.31                                 | 15.60                               | 86.65                              | 54.79                            | 55.97                            |
| Finance cost  |  | 49.76                                 | 14.28                               | 113.22                             | 99.22                            | 79.41                            |
| Depreciation and amortisation expenses  |  | 4.59                                  | 5.02                                | 21.75                              | 24.31                            | 13.76                            |
| Other expenses  |  | 157.90                                | 71.37                               | 260.31                             | 71.35                            | 295.19                           |
| <b>Total expenses</b>   |  | <b>2,137.83</b>                       | <b>1,248.82</b>                     | <b>10,487.79</b>                   | <b>6,434.36</b>                  | <b>4,523.62</b>                  |
| <b>Profit before tax</b>  |  | <b>64.71</b>                          | <b>38.04</b>                        | <b>755.55</b>                      | <b>398.06</b>                    | <b>128.67</b>                    |
| <b>Tax expense:</b>   |  |                                       |                                     |                                    |                                  |                                  |
| Current tax   |  | (11.65)                               | (6.65)                              | (132.02)                           | (104.65)                         | (37.41)                          |
| Deferred tax  |  | (0.03)                                | 0.55                                | 2.59                               | 2.17                             | 1.24                             |
| MAT Credit  |  | 2.65                                  | 1.51                                | 29.96                              | -                                | -                                |
| Previous year tax charges   |  | -                                     | -                                   | -                                  | -                                | 4.94                             |
| <b>Total Tax Expenses</b>   |  | <b>(9.03)</b>                         | <b>(4.59)</b>                       | <b>(99.47)</b>                     | <b>(102.48)</b>                  | <b>(31.23)</b>                   |
| <b>Profit for the period (A)</b>  |  | <b>55.68</b>                          | <b>33.45</b>                        | <b>656.08</b>                      | <b>295.58</b>                    | <b>97.44</b>                     |
| <b>Other comprehensive (loss)/ income</b>   |  |                                       |                                     |                                    |                                  |                                  |
| <b>Items that will not be reclassified subsequently to profit or loss</b>         |  |                                       |                                     |                                    |                                  |                                  |
| (i) Remeasurements of defined benefit liability / (asset)                         |  | 0.32                                  | (1.02)                              | (0.32)                             | 0.82                             | (0.36)                           |
| (ii) Income tax relating to remeasurements of defined benefit liability / (asset) |  | (0.06)                                | 0.18                                | 0.11                               | (0.24)                           | 0.10                             |
| <b>Total Other comprehensive (loss)/ income(B)</b>                                |  | <b>0.26</b>                           | <b>(0.84)</b>                       | <b>(0.21)</b>                      | <b>0.58</b>                      | <b>(0.26)</b>                    |
| <b>Total comprehensive income for the period (A+ B)</b>                           |  | <b>55.94</b>                          | <b>32.61</b>                        | <b>655.87</b>                      | <b>296.16</b>                    | <b>97.18</b>                     |
| <b>Profit attributable to:</b>  |  |                                       |                                     |                                    |                                  |                                  |
| Owners of the Company   |  | 55.68                                 | 33.45                               | 656.08                             | 295.58                           | 97.44                            |
| Non-controlling interests   |  | -                                     | -                                   | -                                  | -                                | -                                |
|   |  | <b>55.68</b>                          | <b>33.45</b>                        | <b>656.08</b>                      | <b>295.58</b>                    | <b>97.44</b>                     |
| <b>Other Comprehensive Income attributable to:</b>                                |  |                                       |                                     |                                    |                                  |                                  |
| Owners of the Company   |  | 0.26                                  | (0.84)                              | (0.21)                             | 0.58                             | (0.26)                           |
| Non-controlling interests   |  | -                                     | -                                   | -                                  | -                                | -                                |
|   |  | <b>0.26</b>                           | <b>(0.84)</b>                       | <b>(0.21)</b>                      | <b>0.58</b>                      | <b>(0.26)</b>                    |
| <b>Earnings per equity share</b>  |  |                                       |                                     |                                    |                                  |                                  |
| [nominal value of Rs. 2]  |  |                                       |                                     |                                    |                                  |                                  |
| Basic   |  | 0.72                                  | 0.48                                | 9.19                               | 4.22                             | 1.39                             |
| Diluted   |  | 0.72                                  | 0.48                                | 9.19                               | 4.22                             | 1.39                             |

DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)

Restated Statement of Cash Flows

(All amounts in Indian Rupees Millions, unless otherwise stated)

| Particulars  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| <b>A. Cash flow from operating activities</b>  |   |   |   |   |   |
| Profit before tax  | 64.71   | 38.04   | 755.55  | 398.06                                      | 128.67                                      |
| <b>Adjustments to reconcile profit before tax to net cash flows:</b>                   |   |   |   |   |   |
| Interest on fixed deposits   | (69.90)   | (57.67)                                       | (220.24)                                      | (223.96)                                    | (146.87)                                    |
| Unwinding of interest on security deposit  | -   | -   | -   | -   | (0.23)                                      |
| Gain on termination of lease   | -   | -   | -   | -   | (1.66)                                      |
| (Income) / loss arising from fair valuation of assets through profit & loss            | -   | -   | -   | 0.19  | (0.13)                                      |
| Interest on borrowings   | 49.76   | 14.28   | 72.40   | 47.39                                       | 54.98                                       |
| Unwinding of interest on lease liabilities   | -   | -   | -   | -   | 1.53  |
| Depreciation and amortisation expense  | 4.59  | 5.02  | 21.75   | 24.31                                       | 13.76                                       |
| <b>Operating profit before working capital changes</b>                                 | <b>49.16</b>                                    | <b>(0.33)</b>                                 | <b>629.46</b>                                 | <b>245.99</b>                               | <b>50.05</b>                                |
| Movement in working capital:   |   |   |   |   |   |
| (Increase)/Decrease in trade receivables   | (389.14)  | (4.22)  | (571.80)                                      | 756.57                                      | 123.25                                      |
| (Increase)/Decrease in inventories   | (530.72)  | 574.13  | 1,744.25                                      | (1,244.65)                                  | (707.70)                                    |
| (Increase)/Decrease in other current assets  | (41.92)   | (543.00)                                      | (113.51)                                      | 859.43                                      | 110.89                                      |
| (Increase)/Decrease in other non current financial assets                              | 2.44  | (352.06)                                      | (0.08)  | 3.12  | (1.27)                                      |
| (Increase)/Decrease in other current financial assets                                  | 47.54   | -   | (20.14)                                       | 0.04  | (8.91)                                      |
| Increase/(Decrease) in trade payables  | 116.04  | (295.07)                                      | (332.86)                                      | (209.00)                                    | 767.09                                      |
| Increase/(Decrease) in non current provisions  | 0.05  | 2.07  | 2.08  | 0.66  | 1.94  |
| Increase/(Decrease) in current provisions  | 0.47  | 133.50  | (0.18)  | 0.01  | 0.07  |
| Increase/(Decrease) in other current financial liabilities                             | 5.85  | (159.10)                                      | (158.17)                                      | 159.13                                      | 1.13  |
| Increase/(Decrease) in other current liabilities                                       | 547.93  | 218.68  | (2,393.27)                                    | 600.35                                      | 1,004.52                                    |
| <b>Cash generated from operations</b>  | <b>(192.29)</b>                                 | <b>(425.41)</b>                               | <b>(1,214.22)</b>                             | <b>1,171.65</b>                             | <b>1,341.06</b>                             |
| Net income tax (paid)  | (4.73)  | (0.45)  | (126.03)                                      | (31.84)                                     | (40.78)                                     |
| <b>Net cash from operating activities (A)</b>  | <b>(197.02)</b>                                 | <b>(425.86)</b>                               | <b>(1,340.25)</b>                             | <b>1,139.81</b>                             | <b>1,300.28</b>                             |
| <b>B. Cash flows from investing activities</b>   |   |   |   |   |   |
| Purchase of property, plant and equipment and Other Intangible assets                  | (0.45)  | (0.24)  | (16.16)                                       | (15.84)                                     | (102.83)                                    |
| Proceeds from disposal of property, plant and equipment                                | -   | -   | 3.90  | 1.53  | -   |
| Capital work in progress and capital advance   | -   | -   | -   | -   | -   |
| Investment/(Sale) of mutual funds  | -   | -   | -   | 1.00  | 40.00                                       |
| (Increase)/Decrease in Other non-current assets  | -   | -   | -   | -   | -   |
| Investment in Subsidiary   | -   | -   | -   | -   | -   |
| Loans (Financial assets)   | -   | -   | -   | -   | -   |
| Interest received  | 69.90   | 57.67   | 220.24  | 223.96                                      | 146.87                                      |
| <b>Net cash used in investing activities (B)</b>                                       | <b>69.45</b>                                    | <b>57.43</b>                                  | <b>207.98</b>                                 | <b>210.65</b>                               | <b>84.04</b>                                |
| <b>C. Cash flows from financing activities</b>   |   |   |   |   |   |
| Proceed form long term liabilities   |   |   |   |   | (4.00)                                      |
| Proceeds / (repayment) from working capital/Working Capital Term Loan facilities (net) | (42.98)   | (237.56)                                      | 3,662.40                                      | 24.02                                       | 250.19                                      |
| Interest amount  | -   | -   | -   | -   | (1.53)                                      |
| Proceeds from issue of Shares  | -   | -   | 52.17   | -   | -   |
| Interest paid  | (49.76)   | (14.28)                                       | (72.40)                                       | (47.39)                                     | (54.98)                                     |
| <b>Net cash used in financing activities ( C )</b>                                     | <b>(92.74)</b>                                  | <b>(251.84)</b>                               | <b>3,642.17</b>                               | <b>(23.37)</b>                              | <b>189.68</b>                               |
| <b>Net increase / (decrease) in Cash and cash equivalents (A+B+C)</b>                  | <b>(220.31)</b>                                 | <b>(620.27)</b>                               | <b>2,509.90</b>                               | <b>1,327.09</b>                             | <b>1,574.00</b>                             |
| Cash and cash equivalents at the beginning of the period / year                        | 8,003.23  | 5,493.33                                      | 5,493.33                                      | 4,166.24                                    | 2,592.24                                    |
| <b>Cash and cash equivalents at the end of the period / year</b>                       | <b>7,782.92</b>                                 | <b>4,873.06</b>                               | <b>8,003.23</b>                               | <b>5,493.33</b>                             | <b>4,166.24</b>                             |
| <b>Notes:-</b>   |   |   |   |   |   |
| 1. Cash and cash equivalents include   |   |   |   |   |   |
| Cash on hand   | -   | -   | -   | 0.01  | -   |
| Balances with bank   | -   | -   | -   | -   | -   |
| Current accounts   | 1,597.20  | 199.34  | 1,884.79                                      | 858.82                                      | 564.07                                      |
| Other bank balances  | 6,185.72  | 4,673.72                                      | 6,118.44                                      | 4,634.50                                    | 3,602.17                                    |
|  | <b>7,782.92</b>                                 | <b>4,873.06</b>                               | <b>8,003.23</b>                               | <b>5,493.33</b>                             | <b>4,166.24</b>                             |

## GENERAL INFORMATION

Our Company was incorporated as “DCX Cable Assemblies Private Limited” on December 16, 2011, at Bangalore, Karnataka as a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation issued by the RoC. Subsequently, to capture the entire business activity of our Company following the integration undertaken in its business model, the name of our Company was changed to ‘DCX Systems Private Limited’ pursuant to a special resolution dated November 24, 2021, passed by our shareholders and a fresh certificate of incorporation consequent upon change of name issued by the RoC on January 3, 2022. Further, consequent upon conversion into a public limited company under the Companies Act, 2013 and pursuant to a special resolution passed by our Shareholders on February 2, 2022, and fresh certificate of incorporation dated February 18, 2022, issued by the RoC, the name of our Company was changed to “DCX Systems Limited”.

**Corporate Identity Number:** U31908KA2011PLC061686

**Company Registration Number:** 061686

### Registered and Corporate Office:

Aerospace SEZ Sector, Plot Numbers 29,30 and 107,  
Hitech Defence and Aerospace Park,  
Kavadadasanahalli Village, Devanahalli Taluk,  
Bengaluru Rural-562 110  
Karnataka, India  
**Tel.:** +91 80 6711 9555/9535

For details in relation to the changes in the registered office of our Company, see “History and Certain Corporate Matters— Changes in our registered office” on page 198.

### Address of the Registrar of Companies

Our Company is registered with the RoC situated at the following address:

#### Registrar of Companies, Karnataka at Bengaluru

Kendriya Sadan, 2<sup>nd</sup> Floor  
E – Wing, Koramangala  
Bengaluru – 560 034  
Karnataka, India

### Board of Directors

As on the date of this Red Herring Prospectus, our Board comprises the following persons:

| Name                           | Designation                                | DIN      | Address   |
|--------------------------------|--|----------|---|
| Dr. H.S. Raghavendra Rao       | Chairman & Managing Director               | 00379249 | Suvarna House No.10, Municipal No.60, 5 <sup>th</sup> Main Road, 5 <sup>th</sup> Block, Behind East R V Metro Station, Jayanagar, Jayanagar East, Bangalore – 560 041 Karnataka |
| Neal Jeremy Castleman          | Non-Independent and Non-Executive Director | 05159412 | 12831 S Figueroa ST Los Angeles, California- 90 061   |
| Sankar Krishnan Ramalingam     | Whole-time Director                        | 00078459 | 504, Niharika Film City Road, Near Oberoi Mall, Goregaon (East), Mumbai- 400 063, Maharashtra   |
| Kalyanasundaram Chandrasekaran | Independent Director                       | 00936289 | Old number 25, new number 26, Vaidyaram Street, T Nagar, Thiyagaraya Nagar, Chennai- 600 017, Tamil Nadu  |
| Panchangam Nagashayana         | Independent Director                       | 00907296 | Number 612, 2 <sup>nd</sup> Cross, 2 <sup>nd</sup> Main, NGEF Layout, Nrupathunga Nagar, Nagarbhavi, Bangalore-560 072, Karnataka   |

| Name                  | Designation          | DIN      | Address  |
|-----------------------|----------------------|----------|--|
| Lathika Siddharth Pai | Independent Director | 00420102 | 43-44, Cunningham Road Cross, Vasanth Nagar, Bangalore North, Bangalore-560 001, Karnataka |

For further details of our Board of Directors, see “*Our Management*” on page 205.

### **Company Secretary, Legal and Compliance Officer**

#### **Nagaraj R Dhavaskar**

Aerospace SEZ Sector  
Plot Numbers 29,30 and 107  
Hitech Defence and Aerospace Park  
Kavadadasanahalli Village, Devanahalli Taluk  
Bengaluru Rural – 562110  
Karnataka, India  
Tel: +91 80 6711 9555 / 9535  
E-mail: [cs@dcxindia.com](mailto:cs@dcxindia.com)

### **Investor Grievances**

**Investors can contact the Company Secretary, Legal and Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems, such as non-receipt of Allotment advice, non-credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders or non-receipt of funds by electronic mode.**

All Offer related grievances, other than that of Anchor Investors, may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder, Bid cum Application Form number, Bidder’s DP ID, Client ID, UPI ID, PAN, date of submission of the Bid cum Application Form, address of the Bidder, number of Equity Shares applied for, the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder and ASBA Account number (for Bidders other than UPI Bidders) in which the amount equivalent to the Bid Amount was blocked or the UPI ID in case of UPI Bidders.

Further, the Bidder shall also enclose a copy of the Acknowledgment Slip or provide the acknowledgement number received from the Designated Intermediaries in addition to the information mentioned hereinabove. All grievances relating to Bids submitted through Registered Brokers may be addressed to the Stock Exchanges with a copy to the Registrar to the Offer. The Registrar to the Offer shall obtain the required information from the SCSBs for addressing any clarifications or grievances of ASBA Bidders.

All Offer-related grievances of the Anchor Investors may be addressed to the Book Running Lead Managers giving full details such as the name of the sole or First Bidder, Anchor Investor Application Form number, Bidders’ DP ID, Client ID, PAN, date of the Anchor Investor Application Form, address of the Bidder, number of the Equity Shares applied for, Bid Amount paid on submission of the Anchor Investor Application Form and the name and address of the Book Running Lead Managers where the Anchor Investor Application Form was submitted by the Anchor Investor.

### **Filing of the Draft Red Herring Prospectus**

A copy of the Draft Red Herring Prospectus has been filed electronically with SEBI at [cfdil@sebi.gov.in](mailto:cfdil@sebi.gov.in), in accordance with the SEBI circular dated March 27, 2020, in relation to “*Easing of Operational Procedure – Division of Issues and Listing – CFD*”; as well as filed with SEBI’s electronic platform at: <https://siportal.sebi.gov.in/intermediary/index.html>, in accordance with SEBI circular bearing reference SEBI/HO/CFD/DIL1/CIR/P/2018/011 dated January 19, 2018 and Regulation 25(8) of the SEBI ICDR Regulations.

A copy of this Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 32 of the Companies Act will be filed with the RoC and a copy of the Prospectus to be filed under Section 26 of the Companies Act will be filed with the RoC and through the electronic portal at <http://www.mca.gov.in/mcafoportal/loginvalidateuser.do>.

### **Book Running Lead Managers**

#### **Edelweiss Financial Services Limited**

6<sup>th</sup> Floor, Edelweiss House,  
Off C.S.T Road, Kalina,  
Mumbai – 400098,  
Maharashtra, India  
**Tel:** +91 22 4009 4400  
**E-mail:** dcx.ipo@edelweissfin.com  
**Investor Grievance E-mail:**  
customerservice.mb@edelweissfin.com  
**Website:** www.edelweissfin.com  
**Contact Person:** Lokesh Shah  
**SEBI Registration No.:** INM0000010650

#### **Axis Capital Limited**

Axis House, 1<sup>st</sup> Floor,  
C-2 Wadia International Centre  
Pandurang Budhkar Marg,  
Mumbai – 400025,  
Maharashtra, India  
**Tel:** +91 22 4325 2183  
**E-mail:** dcx.ipo@axiscap.in  
**Investor Grievance E-mail:** complaints@axiscap.in  
**Website:** www.axiscapital.co.in  
**Contact Person:** Pavan Naik  
**SEBI Registration No.:** INM000012029

#### **Saffron Capital Advisors Private Limited**

605, 6<sup>th</sup> floor, Center Point,  
Andheri Kurla Road, J. B. Nagar,  
Andheri (East), Mumbai— 400 059,  
Maharashtra, India  
**Tel:** 91 22-4973 0394  
**E-mail:** project.kapila@saffronadvisor.com  
**Investor grievance:**  
investorgrievance@saffronadvisor.com  
**Website:** www.saffronadvisor.com  
**Contact Person:** Amit Wagle  
**SEBI Registration Number:** INM000011211

### **Legal Counsel to the Company as to Indian Law**

#### **J. Sagar Associates**

Sandstone Crest  
Sushant Lok Phase 1  
Gurgaon 122 009,  
Haryana, India  
**Tel:** +91 124 439 0600

### **Legal Counsel to the Book Running Lead Managers as to Indian Law**

#### **Khaitan & Co**

3<sup>rd</sup> floor, Embassy Quest  
45/1 Magrath Road  
Bengaluru 560 025  
Karnataka, India  
**Tel:** +91 80 4339 7000

### **International Legal Counsel to the Book Running Lead Managers**

#### **Hogan Lovells Lee & Lee**

50 Collyer Quay  
#10-01 OUE Bayfront  
Singapore 049321  
**Telephone:** +65 6538 0900

### **Statutory Auditor to our Company**

**M/s NBS & Co., Chartered Accountants**



14/2, Western India House,  
 Sir P.M. Road,  
 Fort, Mumbai-- 400 001  
 Maharashtra, India.  
**Tel.:** + 91 22-2287 0588/0939/4140/2288/5229  
**Email:** admin@nbsandco.in  
**Firm Registration Number:** 110100W  
**Peer Review Certificate Number:** 013492

### Changes in Statutory Auditors

Except as disclosed below, there has been no change in the statutory auditors of our Company during the three years preceding the date of this Red Herring Prospectus.

| Particulars   | Date of change   | Reason for change   |
|---|------------------|---|
| <b>M/s NBS &amp; Co., Chartered Accountants</b><br>14/2, Western India House<br>Sir P.M. Road,<br>Fort, Mumbai -400 001,<br>Maharashtra, India.<br><b>Tel.:</b> + 91 22-2287 0588/0939/4140/2288/5229<br><b>Email:</b> admin@nbsandco.in<br><b>Firm Registration Number:</b> 110100W<br><b>Peer Review Certificate Number:</b> 013492 | October 26, 2021 | Appointment as the Statutory Auditors to fill-in casual vacancy |
| <b>Madhavan &amp; Co., Chartered Accountants</b><br>No.3, 2 <sup>nd</sup> Floor,<br>Vishveshwaraiah Buildings,<br>K R Circle, Mysore- 570 001,<br>Karnataka, India.<br><b>Tel.:</b> + 91- 821-2420309<br><b>Email:</b> madhavanco@gmail.com<br><b>Firm Registration Number:</b> 001909S   | October 26, 2021 | Resignation due to pre-occupation                               |

### Registrar to the Offer

#### Link Intime India Private Limited

C 101, 247 Park  
 L.B.S Marg  
 Vikhroli (West)  
 Mumbai 400 083  
 Maharashtra, India  
**Tel:** +91 22 4918 6200  
**E-mail:** dcxsystems.ipo@linkintime.co.in  
**Investor Grievance E-mail:** dcxsystems.ipo@linkintime.co.in  
**Website:** www.linkintime.co.in  
**Contact Person:** Shanti Gopalkrishnan  
**SEBI Registration No.:** INR000004058

### Syndicate Member

#### Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)

Edelweiss House, Off. C.S.T. Road Kalina  
 Mumbai 400 098,  
 Maharashtra India  
**Tel:** +91-22-40635569  
**E-mail:** Prakash.Boricha@edelweiss.in  
**Website:** www.edelweissfin.com  
**Contact person:** Prakash Boricha  
**SEBI Registration No:** INZ000166136

**Banker to the Offer**

*Escrow Collection Bank(s), Refund Bank, Public Offer Account Bank and Sponsor Bank*

**Axis Bank Limited**

No. 9, Esquire Centre,  
Block A, MG Road,  
Bangalore- 560001, Karnataka, India

**Website:** www.axisbank.com

**Tel:** +91 8095500091

**Email:** bangalore.branchhead@axisbank.com

**Contact Person:** Nilam Choudhary

**Sponsor Bank****HDFC Bank Limited**

FIG- OPS Department- Lodha, I Think Techno Campus  
O-3 Level, Next to Kanjurmarg, Railway Station,  
Kanjurmarg (East) Mumbai- 400042

**Website:** www.hdfcbank.com

**Tel:** + 91 22-30752914/28/29

**Email:**eric.bacha@hdfcbank.com,

Siddharth.jadhav@hdfcbank.com,

Sachin.Gawade@hdfcbank.com,

Tushar.Gavankar@hdfcbank.com

**Contact Person:** Eric Bacha/Siddharth Jadhav / Sachin  
Gawade / Tushar Gavankar

**Bankers to our Company****HDFC Bank Limited**

8/24, Salco Centre,  
Richmond Road,  
Bangalore 560025, Karnataka, India

**Website:** www.hdfcbank.com

**Tel:** +91 9986432714

**Email:** Janardhan.lale@hdfcbank.com

**Contact Person:** Janardhan L D

**ICICI Bank Limited**

Shobha Pearl Tower,  
Commissariat Road,  
Bangalore 560 025, Karnataka, India

**Website:** www.icicibank.com

**Tel:** +91 8971496784

**Email:** Mayank.sha@icicibank.com

**Contact Person:** Mayank Sharma

**State Bank of India**

Overseas Branch, LHO Compound,  
#65, St. Marks Road,  
Bangalore 560 001, Karnataka, India

**Website:** www.sbi.co.in

**Tel:** 080-25943404, 25943407

**Email:** rml.obban@sbi.co.in

**Contact Person:** Ramesh.G

**Axis Bank Limited**

Corporate Banking branch  
Nitesh Time Square  
Level 3, No. 8, M. G. Road  
Bengaluru 560 001, Karnataka, India

**Website:** www.axisbank.com

**Tel:** +91 80 68047300

**Email:** cbbbangalore.branchhead@axisbank.com

**Contact Person:** CBB Bangalore Branch Head

## **Designated Intermediaries**

### *Self-Certified Syndicate Banks*

The list of SCSBs notified by SEBI for the ASBA process is available at [www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34](http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34) or [www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35](http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35), as applicable, or at such other website as may be prescribed by SEBI from time to time. A list of the Designated SCSB Branches with which an ASBA Bidder (other than a UPI Bidder), not bidding through Syndicate/Sub Syndicate or through a Registered Broker, RTA or CDP may submit the Bid cum Application Forms, available at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34>, or at such other websites as may be prescribed by SEBI from time to time.

### *SCSBs and mobile applications enabled for UPI Mechanism*

In accordance with SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, UPI Bidders Bidding using the UPI Mechanism may apply through the SCSBs and mobile applications whose names appears on the website of the SEBI (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40>) and (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43>) respectively, as updated from time to time. A list of SCSBs and mobile applications, which are live for applying in public issues using UPI mechanism is provided as 'Annexure A' for the SEBI circular number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019

### *Syndicate SCSB Branches*

In relation to Bids (other than Bids by Anchor Investor) submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Bid cum Application Forms from the members of the Syndicate is available on the website of the SEBI (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35>) and updated from time to time. For more information on such branches collecting Bid cum Application Forms from the Syndicate at Specified Locations, see the website of the SEBI <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> as updated from time to time.

### *Registered Brokers*

The list of the Registered Brokers eligible to accept ASBA forms, including details such as postal address, telephone number and e-mail address, is provided on the websites of the Stock Exchanges at [www.bseindia.com/Markets/PublicIssues/brokercentres\\_new.aspx](http://www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx) and [www.nseindia.com/products/content/equities/ipo/ipo\\_mem\\_terminal.htm](http://www.nseindia.com/products/content/equities/ipo/ipo_mem_terminal.htm), respectively, as updated from time to time.

### *Registrar and Share Transfer Agents*

The list of the RTAs eligible to accept ASBA Forms at the Designated RTA Locations, including details such as address, telephone number and e-mail address, is provided on the websites of the Stock Exchanges at [www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx](http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx) and [www.nseindia.com/products/content/equities/ipo/asba\\_procedures.htm](http://www.nseindia.com/products/content/equities/ipo/asba_procedures.htm) respectively, as updated from time to time.

### *Collecting Depository Participants*

The list of the CDPs eligible to accept ASBA Forms at the Designated CDP Locations, including details such as their name and contact details, is provided on the websites of the Stock Exchanges at [www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx](http://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx) and [www.nseindia.com/products/content/equities/ipo/asba\\_procedures.htm](http://www.nseindia.com/products/content/equities/ipo/asba_procedures.htm), respectively, as updated from time to time.

## **Experts**

Except as stated below, our Company has not obtained any expert opinions:

Our Company has received written consent dated September 20, 2022 from M/s NBS & Co., Chartered Accountants, our statutory auditors to include their name as required under Section 26(1) of the Companies Act read with SEBI ICDR Regulations, in this Red Herring Prospectus, and as an “expert” as defined under Section 2(38) read with Section 26(5) of the Companies Act to the extent and in their capacity as our Statutory Auditors, and in respect of (i) their examination report dated September 16, 2022 on the Restated Financial Information; and (ii) their report dated September 20, 2022 on the statement of special tax benefits in this Red Herring Prospectus and such consent has not been withdrawn as on the date of this Red Herring Prospectus. However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.

Our Company has received written consent dated September 20, 2022 from RBSA Valuation Advisors LLP, to include their name, as required under Section 26 of the Companies Act, 2013, in this Red Herring Prospectus and as an ‘expert’ under Section 2(38) of Companies Act, 2013 in respect of the techno economic viability report dated March 23, 2022, together with the addendum to the techno economic viability report dated September 20, 2022 and such consent has not been withdrawn as on the date of this Red Herring Prospectus.

Our Company has received written consent dated April 4, 2022 from Deepak N, chartered engineer, to include his name as required under section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, in this RHP, and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 to the extent and in his capacity as an independent chartered engineer with respect to the certificates issued by him in relation to the details of manufacturing facility of our Company.

## **Monitoring Agency**

Our Company has appointed CARE Ratings Limited as the monitoring agency to monitor utilization of the Net Proceeds, in accordance with Regulation 41 of the SEBI ICDR Regulations, prior to the filing of this Red Herring Prospectus. Details of the Monitoring Agency are as follows:

### **CARE Ratings Limited**

4<sup>th</sup> Floor, Godrej Coliseum,  
Somaiya Hospital Road,  
Off Eastern Express Highway, Sion (East),  
Mumbai- 400022, Maharashtra, India  
Tel: 022-67543456

**Email:** nitin.dalmia@careedge.in

## **Appraising Entity**

None of the Objects for which the Net Proceeds will be utilized have been appraised by any agency. However, we have relied on techno economic viability report dated March 23, 2022, together with the addendum to the techno economic viability report dated September 20, 2022, issued by the RBSA Valuation Advisors LLP, an independent advisory firm, for the setting up of the proposed facility for Electronics Manufacturing Services (PCB Assembly) by RASPL. For details, see “*Objects of the Issue – Details of the Objects of the Fresh Issue-- Investment in our wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses*” and “*Risk Factors-- Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and may be subject to change based on various factors, some of which are beyond our control. While our Company will receive proceeds from the Fresh Issue, it will not receive any proceeds from the Offer for Sale*” on pages 103 and 45.

## **Credit Rating**

As this is an offer of Equity Shares, there is no credit rating for the Offer. Further, for details of the credit rating assigned to the long term and short term bank facilities, non-fund facilities and short term fund and non-fund based facilities of our Company in the last three years, please refer to “*Risk Factor – Any downgrade in our credit ratings could increase our borrowing costs, affect our ability to obtain financing, and adversely affect our business, results of operations and financial condition*”, on page 36 of this RHP.

## IPO Grading

No credit rating agency registered with the SEBI has been appointed in respect of obtaining grading for the Offer.

## Debenture Trustees

As this is an offer of Equity Shares, no debenture trustee has been appointed for the Offer.

## Green Shoe Option

No green shoe option is contemplated under the Offer.

## Inter-se allocation of responsibilities

The following table sets forth the inter-se allocation of responsibilities for various activities among the Book Running Lead Managers:

| S. No. | Activities  | Responsibility      | Coordinator           |
|--------|---|---------------------|-----------------------|
| 1.     | Due diligence of the Company including its operations/management/business plans/legal etc. Drafting and design of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, abridged prospectus and application form. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of RHP, Prospectus and RoC filing. Capital structuring with the relative components and formalities such as type of instruments, allocation between primary and secondary, etc. | GC- BRLMs/<br>BRLMs | Edelweiss             |
| 2.     | Drafting and approval of statutory advertisements   | GC- BRLMs/<br>BRLMs | Edelweiss             |
| 3.     | Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertising, brochure, etc. and filing of media compliance report with SEBI   | GC- BRLMs/<br>BRLMs | Axis Capital          |
| 4.     | Appointment of all other intermediaries (e.g., Registrar(s), Printer(s), Monitoring Agency, Banker(s) to the Issue and Sponsor Banker to the Issue, Advertising agency etc.) including coordinating all agreements to be entered with such parties  | GC- BRLMs/<br>BRLMs | Edelweiss             |
| 5.     | Preparation of road show presentation and frequently asked questions  | GC- BRLMs/<br>BRLMs | Axis Capital          |
| 6.     | International Institutional Marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"><li>• Marketing strategy</li><li>• Finalising the list and division of international investors for one-to-one meetings and</li><li>• Finalizing road show and investor meeting schedules</li></ul>  | GC- BRLMs/<br>BRLMs | Axis Capital          |
| 7.     | Domestic Institutional Marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"><li>• Finalising the list and division of domestic investors for one-to-one meetings</li><li>• Finalizing domestic road show schedules and investor meeting schedules</li></ul>  | GC- BRLMs/<br>BRLMs | Edelweiss             |
| 8.     | Non-institutional marketing of the Issue, which will cover, inter alia, <ul style="list-style-type: none"><li>• Finalising media, marketing and public relations strategy including list of frequently asked questions at non-institutional road shows; and</li><li>• Finalising centres for holding conferences for brokers, etc.;</li></ul>   | GC- BRLMs/<br>BRLMs | Edelweiss             |
| 9.     | Retail Marketing of the Issue, which will cover, inter alia, <ul style="list-style-type: none"><li>• Formulating marketing strategies, preparation of publicity budget</li><li>• Finalizing Media and PR strategy</li><li>• Finalizing centres for holding conferences for brokers, etc.</li><li>• Finalizing collection centres; and</li></ul>   | GC- BRLMs/<br>BRLMs | Edelweiss,<br>Saffron |

| S. No. | Activities  | Responsibility      | Coordinator  |
|--------|---|---------------------|--------------|
|        | <ul style="list-style-type: none"> <li>Follow-up on distribution of publicity and Issue material including application form, prospectus and deciding on the quantum of the Issue material</li> </ul>  |                     |              |
| 10.    | Coordination with Stock-Exchanges for book building software, bidding terminals, mock trading, payment of 1% security deposit, anchor coordination, anchor CAN and intimation of anchor allocation  | GC- BRLMs/<br>BRLMs | Axis Capital |
| 11.    | Managing the book and finalization of pricing in consultation with the Company  | GC- BRLMs/<br>BRLMs | Edelweiss    |
| 12.    | Post-Offer activities, which shall involve essential follow-up with Bankers to the Issue and SCSBs to get quick estimates of collection and advising Company about the closure of the Issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, unblocking of application monies, listing of instruments, dispatch of certificates or demat credit and refunds, payment of applicable Securities Transaction Tax on behalf of the Promoter Selling Shareholders and coordination with various agencies connected with the post-Offer activity such as Registrar to the Issue, Bankers to the Issue, Sponsor Banks, SCSBs including responsibility for underwriting arrangements, as applicable. Coordinating with Stock Exchanges and SEBI for submission of all post-Issue reports including the initial and final post-Issue report to SEBI, release of 1% security deposit post closure of the Offer. | GC- BRLMs/<br>BRLMs | Axis Capital |

### Book Building Process

Book building, in the context of the Offer, refers to the process of collection of Bids from investors on the basis of this Red Herring Prospectus and the Bid cum Application Forms (and the Revision Forms) within the Price Band, which will be decided by our Company, in consultation with the BRLMs, and if not disclosed in this Red Herring Prospectus, will be advertised in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and the Bangalore editions of Vishwavani, A Kannada daily newspaper (Kannada being the regional language of Karnataka where our Registered and Corporate Office is located), each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Offer Price shall be determined by our Company, in consultation with the BRLMs, after the Bid/Offer Closing Date. For further details, see “*Offer Procedure*” on page 360.

**All Bidders, except Anchor Investors, are mandatorily required to use the ASBA process for participating in the Offer by providing details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by SCSBs. In addition to this, UPI Bidders may participate through the ASBA process by either (a) providing the details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by the SCSBs; or (b) through the UPI Mechanism. Anchor Investors are not permitted to participate in the Offer through the ASBA process.**

**In accordance with the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are not allowed to withdraw their Bid(s) or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. RIBs can revise their Bid(s) during the Bid/Offer Period and withdraw their Bid(s) on or before the Bid/Offer Closing Date. Further, Anchor Investors cannot revise or withdraw their Bid(s) after the Anchor Investor Bid/Offer Period. Allocation to the Anchor Investors will be on a discretionary basis.**

**The Book Building Process and the Bidding Process is in accordance with guidelines, rules and regulations prescribed by SEBI and are subject to change from time to time. Bidders are advised to make their own judgement about an investment through this process prior to submitting a Bid.**

Bidders should note the Offer is also subject to: (i) final approval of the RoC after the filing of the Prospectus with the RoC; and (ii) obtaining final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment within six Working Days of the Bid/Offer Closing Date or such other time period

as prescribed under applicable law. For further details on the method and procedure for Bidding, see “Offer Structure” and “Offer Procedure” on pages 357 and 360, respectively.

### **Illustration of Book Building and Price Discovery Process**

For an illustration of the Book Building Process and the price discovery process, see “Offer Procedure” on page 360.

### **Underwriting Agreement**

The Underwriting Agreement has not been executed as on the date of this Red Herring Prospectus and will be executed after the determination of the Offer Price but prior to the filing of the Prospectus with the RoC. Our Company and the Promoter Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters will be several and will be subject to certain conditions to closing, as specified therein.

The Underwriting Agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

*(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC.)*

| <b>Name, Address, Telephone Number and Email Address of the Underwriters</b> | <b>Indicative Number of Equity Shares to be Underwritten</b> | <b>Amount Underwritten (in ₹ million)</b> |
|--|--|---|
| [●]  | [●]  | [●]                                       |

The above-mentioned underwriting commitments are indicative and will be finalised after pricing of the Offer, the Basis of Allotment and actual allocation in accordance with provisions of the SEBI ICDR Regulations.

In the opinion of our Board (based on representations made to our Company by the Underwriters), the resources of the abovementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our [Board/ IPO Committee], at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitment set forth in the table above.

## CAPITAL STRUCTURE

The share capital of our Company, as on the date of this Red Herring Prospectus, is set forth below.

*(Except share data and unless otherwise provided, in ₹)*

| S. No.    | Particulars  | Aggregate value at face value (₹) | Aggregate value at Offer Price* |
|-----------|--|-----------------------------------|---------------------------------|
| <b>A.</b> | <b>AUTHORIZED SHARE CAPITAL <sup>(1)</sup></b>   |                                   |                                 |
|           | 125,000,000 Equity Shares  | 250,000,000                       | -                               |
| <b>B.</b> | <b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER</b>                                 |                                   |                                 |
|           | 77,400,000 Equity Shares   | 154,800,000                       | -                               |
| <b>C.</b> | <b>PRESENT OFFER IN TERMS OF THIS RED HERRING PROSPECTUS</b>   |                                   |                                 |
|           | Offer of up to [●] Equity Shares aggregating to up to ₹ 5,000.00 million <sup>(2)</sup>              | [●]                               | [●]                             |
|           | <i>Of which</i>  |                                   |                                 |
|           | Fresh Issue of up to [●] Equity Shares aggregating to up to ₹ 4,000.00 million <sup>(2)</sup>        | [●]                               | [●]                             |
|           | Offer for Sale of up to [●] Equity Shares aggregating to up to ₹ 1,000.00 million <sup>(2) (3)</sup> | [●]                               | [●]                             |
| <b>E.</b> | <b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE OFFER</b>                                  |                                   |                                 |
|           | [●] Equity Shares*   | [●]                               | -                               |
| <b>F</b>  | <b>SECURITIES PREMIUM ACCOUNT</b>  |                                   |                                 |
|           | Before the Offer (as on date of this Red Herring Prospectus)   |                                   | Nil                             |
|           | After the Offer  |                                   | [●]                             |

\* To be included upon finalization of Offer Price.

<sup>(1)</sup> For details in relation to changes in the authorised share capital of our Company in last 10 years, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association" on page 198.

<sup>(2)</sup> The Offer has been authorized by our Board pursuant to the resolution dated March 21, 2022, and by the IPO Committee pursuant to its resolutions dated March 30, 2022, September 21, 2022, October 8, 2022, and October 13, 2022, and by our Shareholders pursuant to their resolution dated March 21, 2022.

<sup>(3)</sup> Each of the Promoter Selling Shareholders, severally and not jointly, confirms that the Offered Shares have been held by them for more than one year and are eligible for being offered for sale in the Offer as required under Regulation 8 of the SEBI ICDR Regulations.

### Notes to the Capital Structure

#### 1. Share Capital History of our Company

##### a. History of Equity Share capital

The following table sets forth the history of the Equity Share capital of our Company:

| Date of allotment | Number of equity shares allotted | Face value per equity share (₹) | Issue price per equity share (₹) | Nature of consideration | Nature of allotment                           | Name of Allottees  | Cumulative number of equity shares | Cumulative paid-up equity share capital (₹) |
|-------------------|----------------------------------|---------------------------------|----------------------------------|-------------------------|---|--|------------------------------------|---|
| December 16, 2011 | 10,000                           | 10                              | 10                               | Cash                    | Subscription to the Memorandum of Association | Dinesh Poonamchand Shah was allotted 9,000 equity shares and Jyotivadan Occhavlal Sheth was allotted 1,000 equity shares | 10,000                             | 100,000                                     |
| March 14, 2012*   | 5,000                            | 10                              | 10                               | Cash                    | Further issue                                 | NCBG Holdings Inc. was allotted 3,900 equity shares and Dinesh Poonamchand   | 15,000                             | 150,000                                     |



| Date of allotment   | Number of equity shares allotted | Face value per equity share (₹) | Issue price per equity share (₹) | Nature of consideration | Nature of allotment   | Name of Allottees  | Cumulative number of equity shares | Cumulative paid-up equity share capital (₹) |
|---|----------------------------------|---------------------------------|----------------------------------|-------------------------|---|--|------------------------------------|---|
| June 7, 2012*   | 2,485,000                        | 10                              | 10                               | Cash                    | Further issue   | Shah was allotted 1,100 equity shares<br>NCBG Holdings Inc. was allotted 646,100 equity shares, Dinesh Poonamchand Shah was allotted 563,900 equity shares and VNG Technology Private Limited was allotted 1,275,000 equity shares | 2,500,000                          | 25,000,000                                  |
| December 10, 2012*  | 1,000,000                        | 10                              | 10                               | Cash                    | Further issue   | NCBG Holdings Inc. was allotted 260,000 equity shares, Dinesh Poonamchand Shah was allotted 230,000 equity shares and VNG Technology Private Limited was allotted 510,000 equity shares  | 3,500,000                          | 35,000,000                                  |
| January 20, 2022  | 100,000                          | 10                              | 141                              | Cash                    | Private placement   | Dr. H.S. Raghavendra Rao was allotted 100,000 equity shares  | 3,600,000                          | 36,000,000                                  |
| January 24, 2022  | 270,000                          | 10                              | 141                              | Cash                    | Rights issue of 270,000 equity shares to Dr. H.S. Raghavendra Rao <sup>(1)</sup> .                        | Dr. H.S. Raghavendra Rao was allotted 270,000 equity shares.   | 3,870,000                          | 38,700,000                                  |
| <i>Pursuant to the Shareholders' resolution dated January 25, 2022, each full paid-up equity share of our Company of face value of ₹ 10 was sub-divided into five Equity Shares of our Company of face value of ₹ 2 each. Therefore, 3,870,000 equity shares of our Company of face value of ₹ 10 each were sub-divided into 19,350,000 Equity Shares of our Company of face value of ₹ 2 each.</i> |                                  |                                 |                                  |                         |   |  |                                    |   |
| January 27, 2022  | 58,050,000                       | 2                               | N.A.                             | N.A.                    | Bonus issue in the ratio of 3:1 (i.e. three Equity Shares for every one Equity Share held) <sup>(2)</sup> | NCBG Holdings Inc was allotted 25,725,000 Equity Shares, VNG Technology Private Limited was allotted 26,775,000 Equity Shares and Dr. H.S. Raghavendra Rao was allotted 5,550,000 Equity Shares                                    | 77,400,000                         | 154,800,000                                 |
| <b>Total</b>  |                                  |                                 |                                  |                         |   |  | <b>77,400,000</b>                  | <b>154,800,000</b>                          |

(1) VNG Technology Private Limited and NCBG Holdings Inc., vide their letters dated January 24, 2022, renounced their rights to subscribe to the Equity Shares offered to them, in favour of Dr. H.S. Raghavendra Rao.

(2) The bonus issue was approved by the resolution passed by the Board on January 27, 2022, and the resolution passed by the Shareholders on January 27, 2022

\*For the allotments made to NCBG Holdings Inc. on March 14, 2012, June 7, 2012, and December 10, 2012, we are unable to trace the acknowledgements

received from RBI with the UIN assigned for the Form FCGPR filed for each allotment. For details, see “Risk Factors- Our Company is unable to trace some of our historical corporate records and filings and there have been delays in relation to reporting requirements in respect of issuance of securities by our Company” on page 44.

**b. History of Preference Share capital**

Our Company does not have any preference shares capital as on the date of this Red Herring Prospectus. Further, our Company has not issued preference shares since incorporation.

**c. Shares issued for consideration other than cash or out of revaluation of reserves or by way of bonus issue**

Our Company has not issued any Equity Shares for consideration other than cash or out of revaluation of reserves at any time since incorporation. Except as disclosed below, our Company has not issued any Equity Shares by way of a bonus issue:

| Date of allotment | Number of equity shares allotted | Face value per equity share (₹) | Issue price per equity share (₹) | Nature of consideration | Nature of allotment        |
|-------------------|----------------------------------|---------------------------------|----------------------------------|-------------------------|----------------------------|
| January 27, 2022  | 58,050,000                       | 2                               | N.A.                             | N.A.                    | Bonus issue <sup>(3)</sup> |

Pursuant to the resolution passed by the Board on January 27, 2022, and the resolution passed by the Shareholders on January 27, 2022 approving a bonus issue of the Equity Shares of our Company, NCBG Holdings Inc was allotted 25,725,000 Equity Shares, VNG Technology Private Limited was allotted 26,775,000 Equity Shares and H.S. Raghavendra Rao was allotted 5,550,000 Equity Shares in the ratio of 3:1 (i.e. three Equity Shares for every one Equity Share held)

**d. Shares issued under any scheme of arrangement**

Our Company has not allotted any Equity Shares pursuant to any scheme approved under Sections 391 to 394 of the Companies Act, 1956 or Sections 230 to 234 of the Companies Act, 2013, as applicable.

**e. Issue of Equity Shares at a price lower than the Offer Price in preceding one year from date of this Red Herring Prospectus**

Except as disclosed below, our Company has not issued any Equity Shares in the last one year immediately preceding the date of this Red Herring Prospectus, at a price which may be lower than the Offer Price:

| Date of allotment | Number of equity shares allotted | Face value per equity share (₹) | Issue price per equity share (₹) | Nature of consideration | Reason for allotment  | Whether they are a part of promoter group |
|-------------------|----------------------------------|---------------------------------|----------------------------------|-------------------------|---|---|
| January 20, 2022  | 100,000                          | 10                              | 141                              | Cash                    | Equity shares of face value ₹10 each issued to Dr. H.S. Raghavendra Rao by way of a private placement                         | Yes                                       |
| January 24, 2022  | 270,000                          | 10                              | 141                              | Cash                    | Equity shares of face value ₹10 each issued to Dr. H.S. Raghavendra Rao by way of a rights issue. <sup>(1)</sup>              | Yes                                       |
| January 27, 2022  | 58,050,000                       | 2                               | N.A.                             | N.A.                    | Bonus issue of Equity Shares in ratio of 3:1 to existing Shareholders as on record date i.e., January 26, 2022 <sup>(2)</sup> | Yes                                       |

(1) VNG Technology Private Limited and NCBG Holdings Inc., vide their letters dated January 24, 2022, renounced their rights to

- subscribe to the Equity Shares offered to them, in favour of Dr. H.S. Raghavendra Rao.
- (2) The bonus issue was approved by the resolution passed by the Board on January 27, 2022 and the resolution passed by the Shareholders on January 27, 2022

## 2. History of the share capital held by our Promoters

As on the date of this Red Herring Prospectus, our Promoters hold in aggregate, 76,000,000 Equity Shares, which constitutes 98.20% of the issued, subscribed and paid-up Equity Share capital of our Company. All the Equity Shares held by our Promoters were fully paid-up on the respective dates of allotment/acquisition of such Equity Shares. Further, none of the Equity Shares being offered for sale through the Offer for Sale are pledged or otherwise encumbered, as on the date of this Red Herring Prospectus.

### a. Build-up of the shareholding of our Promoters in our Company

The details regarding the shareholding of our Promoters since incorporation of our Company is set forth in the table below:

| Date of allotment/ transfer   | Reason/ Nature of transaction            | Number of Equity Shares | Nature of consideration | Face value (₹) | Issue price/ Transfer price per Equity Share (₹) | % of pre- Offer capital * | % of post- Offer capital |
|---|--|-------------------------|-------------------------|----------------|--|---------------------------|--------------------------|
| <b>(A) NCBG Holdings Inc.</b>   |  |                         |                         |                |  |                           |                          |
| March 14, 2012*   | Further issue                            | 3900                    | Cash                    | 10             | 10   | 0.03                      | [●]                      |
| June 7, 2012*   | Further issue                            | 646,100                 | Cash                    | 10             | 10   | 4.17                      | [●]                      |
| December 10, 2012*  | Further issue                            | 260,000                 | Cash                    | 10             | 10   | 1.68                      | [●]                      |
| June 29, 2021   | Transfer from Dinesh Poonamchand Shah    | 804,850                 | Cash                    | 10             | 229.43   | 5.20                      | [●]                      |
| June 29, 2021*  | Transfer from Jyotivadan Occhavlal Sheth | 150                     | Cash                    | 10             | 229.43   | Negligible                | [●]                      |
| <i>Pursuant to the Shareholders' resolution dated January 25, 2022, each full paid-up equity share of our Company of face value of ₹ 10 was sub-divided into five Equity Shares of our Company of face value of ₹ 2 each. Therefore, 1,715,000 equity shares of our Company of face value of ₹ 10 each held by NCBG Holdings Inc. were sub-divided into 8,575,000 Equity Shares of our Company of face value of ₹ 2 each.</i>             |  |                         |                         |                |  |                           |                          |
| January 27, 2022*   | Bonus issue                              | 25,725,000              | N.A.                    | 2              | N.A.   | 33.24                     | [●]                      |
| <b>Total</b>  |  | <b>34,300,000</b>       |                         |                |  | 44.32                     | [●]                      |
| <b>(B) VNG Technology Private Limited**</b>   |  |                         |                         |                |  |                           |                          |
| June 7, 2012  | Further issue                            | 1,275,000               | Cash                    | 10             | 10   | 8.24                      | [●]                      |
| December 10, 2012   | Further issue                            | 510,000                 | Cash                    | 10             | 10   | 3.29                      | [●]                      |
| <i>Pursuant to the Shareholders' resolution dated January 25, 2022, each full paid-up equity share of our Company of face value of ₹ 10 was sub-divided into five Equity Shares of our Company of face value of ₹ 2 each. Therefore, 1,785,000 equity shares of our Company of face value of ₹ 10 each held by VNG Technology Private Limited were sub-divided into 8,925,000 Equity Shares of our Company of face value of ₹ 2 each.</i> |  |                         |                         |                |  |                           |                          |
| January 27, 2022  | Bonus issue                              | 26,775,000              | N.A.                    | 2              | N.A.   | 34.59                     | [●]                      |
| January 27, 2022  | Transfer <sup>(1)</sup>                  | (750,000)               | Cash                    | 2              | 7  | (0.97)                    | [●]                      |
| March 25, 2022  | Transfer <sup>(2)</sup>                  | (650,000)               | Cash                    | 2              | 7  | (0.84)                    | [●]                      |
| <b>Total</b>  |  | <b>34,300,000</b>       |                         |                |  | 44.32                     | [●]                      |
| <b>(C) Dr. H.S. Raghavendra Rao</b>   |  |                         |                         |                |  |                           |                          |
| January 20, 2022  | Private placement                        | 100,000                 | Cash                    | 10             | 141  | 0.65                      | [●]                      |
| January 24, 2022  | Rights issue                             | 270,000                 | Cash                    | 10             | 141  | 1.74                      | [●]                      |

| Date of allotment/ transfer   | Reason/ Nature of transaction | Number of Equity Shares | Nature of consideration | Face value (₹) | Issue price/ Transfer price per Equity Share (₹) | % of pre-Offer capital * | % of post-Offer capital |
|---|-------------------------------|-------------------------|-------------------------|----------------|--|--------------------------|-------------------------|
| Pursuant to the Shareholders' resolution dated January 25, 2022, each full paid-up equity share of our Company of face value of ₹ 10 was sub-divided into five Equity Shares of our Company of face value of ₹ 2 each. Therefore, 370,000 equity shares of our Company of face value of ₹ 10 each held by Dr. H S Raghavendra Rao were sub-divided into 1,850,000 Equity Shares of our Company of face value of ₹ 2 each. |                               |                         |                         |                |  |                          |                         |
| January 27, 2022  | Bonus issue                   | 5,550,000               | N.A.                    | 2              | N.A.   | 7.17                     | [●]                     |
| <b>Total</b>  |                               | <b>7,400,000</b>        |                         |                |  | 9.56                     |                         |

\* For the allotments made to NCBG Holdings Inc. on March 14, 2012, June 7, 2012, and December 10, 2012, we are unable to trace the acknowledgements received from RBI with the UIN assigned for the Form FCGPR filed for each allotment. For details, see "Risk Factors- Our Company is unable to trace some of our historical corporate records and filings and there have been delays in relation to reporting requirements in respect of issuance of securities by our Company" on page 45..

\*\*Equity Shares were transferred by the VNG inter-alia, (i) to certain employees of our Company, and our Directors, Sankar Krishnan Ramalingam, and Panchangam Nagashayana, to incentivise and motivate them for their valuable contribution made to our Company; (ii) to certain advisors, consultants and other personnel (not in employment with our Company), who have provided services to our Company, to incentivise their long association and contributions made to our Company; and (iii) to Anitha Chandrasekaran, spouse of the Independent Director, Kalyanasundaram Chandrasekaran, and Siddharth Ammembal Pai, spouse of our Independent Director, Lathika Siddharth Pai. For details of transferees, please see details below:

<sup>(1)</sup> List of transferees who were transferred Equity Shares on January 27, 2022, is as follows:

| Sr. No. | Name of the transferee       | Number of Equity Shares transferred |
|---------|------------------------------|-------------------------------------|
| 1.      | Sankar Krishnan Ramalingam*  | 125,000                             |
| 2.      | Shiva Kumara R**             | 125,000                             |
| 3.      | Harsha Haniyamballi Mahesh^^ | 75,000                              |
| 4.      | Manjunath G.S. **            | 75,000                              |
| 5.      | Prasanna Kumar T. S. **      | 75,000                              |
| 6.      | Anand S **                   | 75,000                              |
| 7.      | Pramod B **                  | 75,000                              |
| 8.      | Ranga K.S. **                | 75,000                              |
| 9.      | Rajanikanth K.N. **          | 50,000                              |

\* Directors of our Company.

^^ Advisors, consultants and other personnel (not in employment with the Company), who have provided services to the Company.

\*\* Employees of our Company

(3) List of transferees who were transferred Equity Shares on March 25, 2022, is as follows:

| Sr. No. | Name of the transferee                   | Number of Equity Shares transferred |
|---------|--|-------------------------------------|
| 1.      | Anitha Chandrasekaran^                   | 50,000                              |
| 2.      | Panchangam Nagashayana*                  | 50,000                              |
| 3.      | Siddharth Ammembal Pai#                  | 50,000                              |
| 4.      | Kiran Kumar K.S. **                      | 30,000                              |
| 5.      | Jagadeesh N ^^                           | 30,000                              |
| 6.      | Niraj Kumar Khandelwal **                | 30,000                              |
| 7.      | Sunilkumar Premraj ^^                    | 25,000                              |
| 8.      | Kavya V ^^                               | 25,000                              |
| 9.      | Mare Vinod Dnyanoba**                    | 25,000                              |
| 10.     | T R Lalith Adithiya ^^                   | 25,000                              |
| 11.     | Pramod S^^                               | 19,000                              |
| 12.     | Nagaraj **                               | 15,000                              |
| 13.     | Shivshankar G Karagond**                 | 15,000                              |
| 14.     | Sunil Kumar K C**                        | 15,000                              |
| 15.     | Shanu Johnwilson Packiam**               | 15,000                              |
| 16.     | Buvanesh M**                             | 15,000                              |
| 17.     | Sakaleshpur Hanumanthrao Uday Praveen ** | 15,000                              |
| 18.     | S G Ravichandra**                        | 15,000                              |
| 19.     | Hosakotte Gopalarao Sundaresh ^^         | 15,000                              |
| 20.     | Pramod Simha ^^                          | 15,000                              |

| <b>Sr. No.</b> | <b>Name of the transferee</b>     | <b>Number of Equity Shares transferred</b> |
|----------------|-----------------------------------|--|
| 21.            | Bhagath Gowda G **                | 10,000                                     |
| 22.            | Renu Kumar S M **                 | 7,500                                      |
| 23.            | Siddesh C M ^^                    | 6,250                                      |
| 24.            | Atul Dhondiram Mutthe **          | 5,000                                      |
| 25.            | Nagaraju M **                     | 3,750                                      |
| 26.            | Harinaksha G**                    | 2,500                                      |
| 27.            | Shankarappa Hebballi **           | 2,500                                      |
| 28.            | Ramesha P M **                    | 2,500                                      |
| 29.            | Ashok N **                        | 2,500                                      |
| 30.            | Viswanatha S N**                  | 2,500                                      |
| 31.            | Jaiganesh P **                    | 2,500                                      |
| 32.            | Raju S V **                       | 2,500                                      |
| 33.            | Vanajakshi KV**                   | 2,500                                      |
| 34.            | Anantha Kumara M J **             | 2,500                                      |
| 35.            | Santhosh C**                      | 2,500                                      |
| 36.            | Basavaraj**                       | 2,500                                      |
| 37.            | Chandrababu A**                   | 2,500                                      |
| 38.            | G M Madhukeshava**                | 2,500                                      |
| 39.            | Pramod N **                       | 2,500                                      |
| 40.            | Shankaragouda Basavaraj Banakar** | 2,500                                      |
| 41.            | Raghu H S**                       | 2,500                                      |
| 42.            | Gudisa Sai Pavankumar**           | 2,500                                      |
| 43.            | Mallesha S M**                    | 2,500                                      |
| 44.            | Harish Shamappa **                | 2,500                                      |
| 45.            | Kiran S **                        | 2,500                                      |
| 46.            | Manjunath G.M. **                 | 2,500                                      |
| 47.            | Geetha UN **                      | 2,500                                      |
| 48.            | Hanamanthagowda S R**             | 2,500                                      |
| 49.            | Kavyashri TN**                    | 2,500                                      |
| 50.            | B Gayathri**                      | 2,500                                      |
| 51.            | Santhoshkumar H S**               | 2,500                                      |
| 52.            | Nikhil B Kalale**                 | 2,500                                      |
| 53.            | Peddi Raju D**                    | 2,500                                      |
| 54.            | Karthick Venkatesan**             | 2,500                                      |
| 55.            | Keerthana M **                    | 2,500                                      |
| 56.            | R Nayankumar **                   | 2,500                                      |
| 57.            | Manoj Nagaraja **                 | 2,500                                      |
| 58.            | Narahari S Woodi**                | 2,500                                      |
| 59.            | Mukesh H**                        | 2,500                                      |
| 60.            | Girish Shivarudraiah**            | 2,500                                      |
| 61.            | Karunakara Padmashali**           | 2,500                                      |
| 62.            | Devaraj HM**                      | 2,500                                      |
| 63.            | T Prakasha**                      | 2,500                                      |
| 64.            | Mallikarjuna HM**                 | 2,500                                      |
| 65.            | Nagesh HU **                      | 2,500                                      |
| 66.            | Pujari Chikkannagari Nagaraju**   | 2,500                                      |
| 67.            | Mohan Kumara D R**                | 2,500                                      |
| 68.            | Ravi Kumar G N**                  | 2,500                                      |
| 69.            | Niranjan N**                      | 2,500                                      |
| 70.            | Pramod U Shetty**                 | 2,500                                      |
| 71.            | Subramanya M N**                  | 2,500                                      |
| 72.            | Puneeth H A **                    | 2,500                                      |
| 73.            | Sachin G C **                     | 2,500                                      |
| 74.            | Gudari Manoj Kumar**              | 2,500                                      |
| 75.            | Pushpalatha V **                  | 500  |
| 76.            | Rajashekar P**                    | 500  |

\* Directors of our Company.

^^ Advisors, consultants and other personnel (not in employment with the Company), who have provided services to the Company.

\*\* Employees of our Company

^ Equity Shares were transferred to Anitha Chandrasekaran, spouse of our Independent Director, Kalyanasundaram Chandrasekaran.

# Equity Shares were transferred to Siddharth Ammembal Pai, spouse of our Independent Director, Lathika Siddharth Pai.

**b. Shareholding of members of Promoter Group**

Neither the members of the Promoter Group (other than our Promoters) nor the directors of our Corporate Promoters hold any Equity Shares as on the date of this Red Herring Prospectus.

Except as disclosed above in the “*Build-up of the shareholding of our Promoters in our Company*” on page-87, none of the members of the Promoter Group, directors of our Corporate Promoters, our Directors, and their relatives have purchased or sold any securities of our Company during the period of six months immediately preceding the date of this Red Herring Prospectus.

**c. Details of Promoters’ contribution and lock-in**

- (i). Pursuant to Regulations 14 and 16 of the SEBI ICDR Regulations, an aggregate of 20% of the fully diluted post-Offer Equity Share capital of our Company held by our Promoters shall be locked in as minimum promoters’ contribution for a period of eighteen months from the date of Allotment (“**Minimum Promoters’ Contribution**”) and the shareholding of our Promoters in excess of 20% of the fully diluted post-Offer Equity Share capital shall be locked in for a period of six months from the date of Allotment.
- (ii). Our Promoters have consented to the inclusion of such number of Equity Shares held by them, as may constitute 20% of the fully diluted post-Offer Equity Share capital of our Company as Minimum Promoters’ Contribution and have agreed not to sell, dispose, transfer, charge, pledge or otherwise encumber in any manner the Minimum Promoters’ Contribution from the date of filing of this Draft Red Herring Prospectus until the expiry of the lock-in period specified above, or for such other time as required under the SEBI ICDR Regulations, except as may be permitted, in accordance with the SEBI ICDR Regulations.
- (iii). Details of the Equity Shares held by our Promoters to be locked-in for eighteen months from the date of Allotment as Minimum Promoters’ Contribution are set forth in the table below:\*

| Name of Promoters | Number of Equity Shares locked-in | Date of allotment/ transfer of Equity Shares | Date of transaction when fully paid up | Nature of allotment | Face Value per Equity Share (₹) | Issue/ Acquisition price per Equity Share (₹) | Percentage of the pre-Offer paid-up capital (%) | Percentage of the post-Offer paid-up capital (%) | Date up to which Equity Shares are subject to lock-in |
|-------------------|-----------------------------------|--|--|---------------------|---------------------------------|---|---|--|---|
| [●]               | [●]                               | [●]  | [●]                                    | [●]                 | [●]                             | [●]   | [●]   | [●]  | [●]   |
| [●]               | [●]                               | [●]  | [●]                                    | [●]                 | [●]                             | [●]   | [●]   | [●]  | [●]   |
| [●]               | [●]                               | [●]  | [●]                                    | [●]                 | [●]                             | [●]   | [●]   | [●]  | [●]   |
| <b>Total</b>      | [●]                               |  |  |                     |                                 |   | [●]   | [●]  | [●]   |

\* To be updated prior to filing of the Prospectus with the RoC

- (iv). Our Company undertakes that the Equity Shares that are being locked-in are not and will not be, ineligible for computation of Minimum Promoters’ Contribution in terms of Regulation 15 of the SEBI ICDR Regulations. In this connection, our Company confirms the following:
  - (a). The Equity Shares offered for Minimum Promoters’ Contribution do not include Equity Shares acquired during the three immediately preceding years (i) for consideration other than cash, and revaluation of assets or capitalisation of intangible assets and have not been issued against Equity Shares which are otherwise ineligible for computation of Minimum Promoters’ Contribution, (ii) pursuant to a bonus issue out of revaluation reserves or unrealised profits of our Company or from a bonus issue against Equity Shares, which are otherwise ineligible for computation of Minimum Promoters’ Contribution;
  - (b). The Minimum Promoters’ Contribution does not include any Equity Shares acquired during the immediately preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Offer;

- (c). Our Company has not been formed by the conversion of a partnership firm or a limited liability partnership firm into a company in the preceding one year and hence, no Equity Shares have been issued in the one year immediately preceding the date of this Red Herring Prospectus pursuant to conversion from a partnership firm or a limited liability partnership firm
- (d). The Equity Shares forming part of the Minimum Promoters' Contribution are not subject to any pledge; and
- (e). All the Equity Shares held by our Promoters are in dematerialised form as on the date of this Red Herring Prospectus.

**d. Details of Equity Shares locked-in for six months**

In addition to the Minimum Promoters' Contribution, which will be locked in for eighteen months as specified above, the entire pre-Offer Equity Share capital held by persons (including those Equity Shares held by our Promoters in excess of the Minimum Promoters' Contribution) will be locked-in for a period of six months from the date of Allotment in the Offer, except Offered Shares and any other categories of shareholders exempted under Regulation 17 of the SEBI ICDR Regulations. Any unsubscribed portion of the Offered Shares would also be locked-in as required under Regulation 16 of the SEBI ICDR Regulations.

**e. Lock-in of Equity Shares Allotted to Anchor Investors**

Any Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in the following manner: There shall be a lock-in of 90 days on 50% of the Equity Shares Allotted to the Anchor Investors from the date of Allotment, and a lock-in of 30 days on the remaining 50% of the Equity Shares Allotted to the Anchor Investors from the date of Allotment.

**f. Other lock-in requirements:**

Pursuant to Regulation 21 of the SEBI ICDR Regulations, Equity Shares held by our Promoters and locked-in, as mentioned above, may be pledged as collateral security for a loan granted by a scheduled commercial bank, a public financial institution, NBFC-SI or a deposit accepting housing finance company, subject to the following:

- (i). with respect to the Equity Shares locked-in for six months from the date of Allotment, such pledge of the Equity Shares must be one of the terms of the sanction of the loan; and
- (ii). with respect to the Equity Shares locked-in as Minimum Promoters' Contribution for eighteen months from the date of Allotment, the loan must have been granted to our Company for the purpose of financing one or more of the objects of the Offer, and the pledge of such Equity Shares must be one of the terms of the sanction of the loan.

However, the relevant lock-in period shall continue post the invocation of the pledge referenced above, and the relevant transferee shall not be eligible to transfer to the Equity Shares till the relevant lock-in period has expired in terms of the SEBI ICDR Regulations.

Pursuant to Regulation 22 of the SEBI ICDR Regulations, Equity Shares held by our Promoters and locked-in, as mentioned above, may be transferred to and amongst the members of our Promoter Group or to any new promoter, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable.

Further, in terms of Regulation 22 of the SEBI ICDR Regulations, the Equity Shares held by persons other than the Promoters prior to the Offer and locked-in for a period of six months from the date of Allotment in the Offer may be transferred to any other person holding the Equity Shares which are locked-in along with the Equity Shares proposed to be transferred, subject to continuation of the lock-in in the hands of transferees for the remaining period and compliance with the SEBI Takeover Regulations. However, it should be noted that the Offered Shares which will be transferred by the respective Promoter Selling Shareholders in the Offer for Sale shall not be subject to lock-in.

***g. Recording on non-transferability of Equity Shares locked-in***

As required under Regulation 20 of the SEBI ICDR Regulations, our Company shall ensure that the details of the Equity Shares locked-in are recorded by the relevant Depository.



### 3. Shareholding Pattern of our Company

The table below presents the shareholding pattern of our Company as on the date of this Red Herring Prospectus:

| Category (I) | Category of shareholder (II)          | Number of shareholders (III) | Number of fully paid up equity shares held (IV) | Number of Partly paid-up equity shares held (V) | Number of shares underlying Depository Receipts (VI) | Total number of shares held (VII) = (IV)+(V)+(VI) | Shareholding as a % of total number of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2) | Number of Voting Rights held in each class of securities (IX) |                    |                   |                         | Number of shares Underlying Outstanding convertible securities (including Warrants) (X)* | Shareholding, as a % assuming full conversion of convertible securities ( as a percentage of diluted share capital) (XI)= (VII)+(X) as a % of (A+B+C2) | Number of Locked in shares (XII) |                                 | Number of Shares pledged or otherwise encumbered (XIII) |                                 | Number of equity shares held in dematerialized form (XIV) |
|--------------|---------------------------------------|------------------------------|---|---|--|---|--|---|--------------------|-------------------|-------------------------|--|--|----------------------------------|---------------------------------|---|---------------------------------|---|
|              |                                       |                              |   |   |  |   |  | Number of Voting Rights                                       |                    |                   | Total as a % of (A+B+C) |  |  | Number (a)                       | As a % of total Shares held (b) | Number (a)  | As a % of total Shares held (b) |   |
|              |                                       |                              |   |   |  |   |  | Class e.g.: Equity Shares                                     | Class e.g.: Others | Total             |                         |  |  |                                  |                                 |   |                                 |   |
| (A)          | Promoters and Promoter Group          | 3                            | 76,000,000                                      | -   | -  | 76,000,000  | 98.20%   | 76,000,000  | -                  | 76,000,000        | 98.20%                  | -  | -  | -                                | -                               | -   | -                               | 76,000,000  |
| (B)          | Public                                | 85                           | 1,400,000                                       | -   | -  | 1,400,000   | 1.80%  | 1,400,000   | -                  | 1,400,000         | 1.80%                   | -  | -  | -                                | -                               | -   | -                               | 1,400,000   |
| (C)          | Non Promoter-Non Public               | -                            | -   | -   | -  | -   | -  | -   | -                  | -                 | -                       | -  | -  | -                                | -                               | -   | -                               | -   |
| (C1)         | Shares underlying depository receipts | -                            | -   | -   | -  | -   | -  | -   | -                  | -                 | -                       | -  | -  | -                                | -                               | -   | -                               | -   |
| (C2)         | Shares held by employee trusts        | -                            | -   | -   | -  | -   | -  | -   | -                  | -                 | -                       | -  | -  | -                                | -                               | -   | -                               | -   |
|              | <b>Total</b>                          | <b>88</b>                    | <b>77,400,000</b>                               | -   | -  | <b>77,400,000</b>                                 | <b>100%</b>  | <b>77,400,000</b>   | -                  | <b>77,400,000</b> | <b>100%</b>             | -  | -  | -                                | -                               | -   | -                               | <b>77,400,000</b>   |

4. The BRLMs and their respective associates (as defined under the SEBI Merchant Bankers Regulations) do not hold any Equity Shares as on the date of this Red Herring Prospectus. The BRLMs and their respective affiliates may engage in transactions with and perform services for our Company in the ordinary course of business or may in the future engage in commercial banking and investment banking transactions with our Company, for which they may in the future receive customary compensation.

5. **Shareholding of our Directors and Key Managerial Personnel in our Company**

| Sl. No. | Name  | No. of Equity Shares of face value of ₹ 2 each | % of pre-Offer capital | % of post-Offer capital |
|---------|---|--|------------------------|-------------------------|
|         | <i>Director(s)</i>  |  |                        |                         |
| 1.      | Dr. H.S. Raghavendra Rao  | 7,400,000                                      | 9.56                   | [●]                     |
| 2.      | Sankar Krishnan Ramalingam                                      | 125,000  | 0.16                   | [●]                     |
| 3.      | Panchangam Nagashayana  | 50,000   | 0.06                   | [●]                     |
|         | <b>Total</b>  | <b>7,575,000</b>                               | <b>9.78</b>            | <b>[●]</b>              |
|         | <i>Key Managerial Personnel (other than Executive Director)</i> |  |                        |                         |
| 4.      | Shiva Kumara R  | 125,000  | 0.16                   | [●]                     |
| 5.      | Anand S   | 75,000   | 0.10                   | [●]                     |
| 6.      | Pramod B  | 75,000   | 0.10                   | [●]                     |
| 7.      | Ranga KS  | 75,000   | 0.10                   | [●]                     |
| 8.      | Prasanna Kumar T S  | 75,000   | 0.10                   | [●]                     |
| 9.      | Manjunath G S   | 75,000   | 0.10                   | [●]                     |
| 10.     | Rajanikanth K.N.  | 50,000   | 0.06                   | [●]                     |
| 11.     | Kiran Kumar K.S.  | 30,000   | 0.04                   | [●]                     |
| 12.     | Atul Dhondiram Mutthe   | 5,000  | 0.01                   | [●]                     |
|         | <b>Total</b>  | <b>585,000</b>                                 | <b>0.77</b>            | <b>[●]</b>              |

6. **Details of equity shareholding of the major equity Shareholders of our Company**

- (a) As on the date of this Red Herring Prospectus, our Company has 88 shareholders.
- (b) Set forth below are details of shareholders holding 1% or more of the paid-up Equity Share Capital of our Company as on the date of filing of this Red Herring Prospectus:

| S No.        | Name of Shareholder            | Pre-Offer                                      |                                      |
|--------------|--------------------------------|--|--------------------------------------|
|              |                                | No. of Equity Shares of face value of ₹ 2 each | Percentage of total shareholding (%) |
| 1.           | Dr. H S Raghavendra Rao        | 7,400,000                                      | 9.56                                 |
| 2.           | VNG Technology Private Limited | 34,300,000                                     | 44.32                                |
| 3.           | NCBG Holdings Inc.             | 34,300,000                                     | 44.32                                |
| <b>Total</b> |                                | <b>76,000,000</b>                              | <b>98.20</b>                         |

- (c) Set forth below are details of shareholders holding 1% or more of the paid-up Share Capital of our Company as on 10 days prior to the date of filing of this Red Herring Prospectus:

| S No.        | Name of Shareholder            | Pre-Offer                                      |                                      |
|--------------|--------------------------------|--|--------------------------------------|
|              |                                | No. of Equity Shares of face value of ₹ 2 each | Percentage of total shareholding (%) |
| 1.           | Dr. H S Raghavendra Rao        | 7,400,000                                      | 9.56                                 |
| 2.           | VNG Technology Private Limited | 34,300,000                                     | 44.32                                |
| 3.           | NCBG Holdings Inc.             | 34,300,000                                     | 44.32                                |
| <b>Total</b> |                                | <b>76,000,000</b>                              | <b>98.20</b>                         |

- (d) Set forth below are details of shareholders holding 1% or more of the paid-up Share Capital of our Company as on the date one year prior to the date of filing of this Red Herring Prospectus:

| S No.        | Name of Shareholder            | Pre-Offer                                       |                                      |
|--------------|--------------------------------|---|--------------------------------------|
|              |                                | No. of equity shares of face value of ₹ 10 each | Percentage of total shareholding (%) |
| 1.           | NCBG Holdings Inc.             | 1,715,000                                       | 49.00                                |
| 2.           | VNG Technology Private Limited | 1,785,000                                       | 51.00                                |
| <b>Total</b> |                                | <b>35,00,000</b>                                | <b>100.00</b>                        |

(e) Set forth below are details of shareholders holding 1% or more of the paid-up Share Capital of our Company as on the date two years prior to the date of filing of this Red Herring Prospectus:

| S No.        | Name of Shareholder            | Pre-Offer                                       |                                      |
|--------------|--------------------------------|---|--------------------------------------|
|              |                                | No. of equity shares of face value of ₹ 10 each | Percentage of total shareholding (%) |
| 1.           | Dinesh Poonamchand Shah        | 804,850   | 23.00                                |
| 2.           | NCBG Holdings Inc.             | 910,000   | 26.00                                |
| 3.           | VNG Technology Private Limited | 1,785,000                                       | 51.00                                |
| <b>Total</b> |                                | <b>3,499,850</b>                                | <b>100.00</b>                        |

7. There have been no financing arrangements whereby our Promoters, members of our Promoter Group, directors of our Corporate Promoters, our Directors, and their relatives have financed the purchase by any other person of securities of our Company, during a period of six months immediately preceding the date of filing of the Draft Red Herring Prospectus and this Red Herring Prospectus.
8. Our Company, Promoters, Directors, and the BRLMs have not entered into any buy-back arrangement or any other similar arrangements for the purchase of Equity Shares.
9. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law.
10. As on the date of this Red Herring Prospectus, our Company does not have any active employee stock option plan.
11. No person connected with the Offer, including but not limited to, our Company, the members of the Syndicate, our Directors, Promoters or the members of our Promoter Group, shall offer in any manner whatsoever any incentive, whether direct or indirect, in cash, in kind or in services or otherwise to any Bidder for making a Bid.
12. None of the Equity Shares held by our Promoters and other members of our Promoter Group are pledged or otherwise encumbered as on the date of this Red Herring Prospectus. Further, none of the Equity Shares being offered for sale through the Offer for Sale are pledged or otherwise encumbered, as on the date of this Red Herring Prospectus.
13. The Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of this Red Herring Prospectus.
14. The Equity Shares issued pursuant to the Offer shall be fully paid-up at the time of Allotment, failing which, no Allotment shall be made.
15. There are no outstanding warrants, options or rights to convert debentures, loans or other convertible instruments into Equity Shares as on the date of this Red Herring Prospectus.
16. There have been and will be no further issue of securities whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from filing of the Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges or the application monies have been refunded.

17. Our Company presently does not intend or propose to alter its capital structure for a period of six months from the Bid/Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares, or further issue of Equity Shares (including issue of securities convertible into or exchangeable for, directly or indirectly into Equity Shares), whether on a preferential basis or issue of bonus or rights or further public issue of Equity Shares. However, if our Company enters acquisitions, joint ventures or other arrangements, our Company may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as consideration for acquisitions or participation in such joint ventures or other arrangements. Provided, however, that the foregoing restrictions do not apply to the issuance of any Equity Shares under the Offer.
18. Our Promoters and the members of our Promoter Group will not participate in the Offer, except to the extent of the Offer for Sale by the Promoter Selling Shareholders.
19. Our Company shall ensure that any transactions in the Equity Shares by our Promoters and our Promoter Group during the period between the date of filing of the Draft Red Herring Prospectus and the date of closure of the Offer shall be reported to the Stock Exchanges within 24 hours of the transactions.
20. Except as disclosed in “*Capital Structure – Share capital history of our Company – History of Equity Share capital*” on page 84, our Company has not undertaken any public issue of securities or any rights issue of any kind or class of securities since its incorporation.
21. Details of price at which Equity Shares were acquired by our Promoters in the last three years preceding the date of this Red Herring Prospectus is disclosed below:

| Name of Acquirer               | Date of acquisition of Equity Shares | Number of Equity Shares acquired | Acquisition price per Equity Share (Rs.) | Nature of Acquisition                    |
|--------------------------------|--------------------------------------|----------------------------------|--|--|
| <b>Promoters</b>               |                                      |                                  |  |  |
| Dr. H S Raghavendra Rao        | January 20, 2022                     | 100,000 <sup>^</sup>             | 141.00                                   | Private placement                        |
|                                | January 24, 2022                     | 270,000 <sup>^</sup>             | 141.00                                   | Rights issue                             |
|                                | January 27, 2022*                    | 5,550,000                        | -  | Bonus issue                              |
| NCBG Holdings Inc.             | June 29, 2021                        | 804,850 <sup>^</sup>             | 229.43                                   | Transfer from Dinesh Poonamchand Sha     |
|                                | June 29, 2021                        | 150 <sup>^</sup>                 | 229.43                                   | Transfer from Jyotivadan Occhavlal Sheth |
|                                | January 27, 2022*                    | 25,725,000                       | -  | Bonus issue                              |
| VNG Technology Private Limited | January 27, 2022*                    | 26,775,000                       | -  | Bonus issue                              |

<sup>^</sup>Equity shares of face value of ₹ 10 per equity share.

\*These Equity Shares were acquired pursuant to a bonus issue approved by a resolution passed by the Board on January 27, 2022, and the resolution passed by the Shareholders on January 27, 2022, in the ratio of three Equity Shares for each existing Equity Share

## OBJECTS OF THE OFFER

The Offer comprises a Fresh Issue by our Company and an Offer for Sale by the Promoter Selling Shareholders.

### Offer for Sale

The Promoter Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale after deducting its proportion of Offer expenses and relevant taxes thereon. Our Company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the net proceeds, *i.e.*, gross proceeds of the Fresh Issue less the Offer related expenses applicable to the Fresh Issue (“**Net Proceeds**”). For further details, see “*Objects of the Offer - Offer Expenses*” on page 109.

### Fresh Issue

The details of the proceeds from the Fresh Issue are summarised in the following table:

| (₹ in million)  |          |
|---|----------|
| Particulars   | Amount   |
| Gross proceeds from the Fresh Issue   | 4,000.00 |
| (Less) Offer related expenses in relation to the Fresh Issue <sup>(1)</sup> | [●]      |
| <b>Net Proceeds</b>   | [●]      |

<sup>(1)</sup> To be finalised upon determination of the Offer Price and will be updated in the Prospectus prior to filing with the RoC.

### Requirement of funds

Our Company proposes to utilise the Net Proceeds of the Fresh Issue towards funding the following objects:

1. Repayment/ prepayment, in full or part, of certain borrowings availed of by our Company;
2. Funding working capital requirements of our Company;
3. Investment in our wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses; and
4. General corporate purposes (collectively, referred to herein as the “**Objects**”).

In addition, our Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges and enhancement of our Company’s visibility and brand image and creation of a public market for our Equity Shares in India.

The main objects clause and objects incidental and ancillary to the main objects as set out in the Memorandum of Association enables our Company to undertake its existing activities and the activities proposed to be funded from the Net Proceeds. The main objects clause and objects incidental and ancillary to the main objects as set out in the memorandum of association of our Subsidiary enables our Subsidiary to undertake the activities proposed to be funded from the Net Proceeds.

### ***Proposed schedule of implementation and deployment of Net Proceeds***

We propose to utilise the Net Proceeds for the following Objects in accordance with the estimated schedule of utilisation of funds set forth in the table below:

(₹ in million)

| S. No. | Particulars                                | Amount which will be financed from Net Proceeds <sup>(1)</sup> | Estimated Utilisation of Net Proceeds |             |
|--------|--|--|---------------------------------------|-------------|
|        |  |  | Fiscal 2023                           | Fiscal 2024 |
| 1.     | Repayment/ prepayment, in full or part, of | 1,100.00   | 1,100.00                              | -           |

| S. No. | Particulars   | Amount which will be financed from Net Proceeds <sup>(1)</sup> | Estimated Utilisation of Net Proceeds |             |
|--------|---|--|---------------------------------------|-------------|
|        |   |  | Fiscal 2023                           | Fiscal 2024 |
|        | certain borrowings availed of by our Company  |  |                                       |             |
| 2.     | Funding working capital requirements of our Company   | 1,600.00   | 1,600.00                              | -           |
| 3.     | Investment in our wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses. | 448.83   | 448.83                                | -           |
| 4.     | General corporate purposes <sup>(1)</sup>   | [●]  | [●]                                   | -           |

(1) To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

The schedule of implementation set out above is based on our internal management estimates, current circumstances of our business and market conditions and has not been appraised by any bank or financial institution. We may have to revise our estimates from time to time on account of various factors, such as financial and market conditions, competition, price fluctuations, interest rate fluctuations and other external factors, which may not be within the control of our management. This may entail rescheduling the proposed utilisation of the Net Proceeds and changing the allocation of funds from our planned allocation at the discretion of our management, subject to compliance with applicable laws.

Further, in case the Net Proceeds are not completely utilised in a scheduled Fiscal due to any reason, the same would be utilised (in part or full) in the next Fiscal/ subsequent period, as may be determined by our Company, in accordance with applicable law. This may entail rescheduling and revising the planned expenditure and funding requirement and increasing or decreasing the expenditure for a particular purpose from the planned expenditure at the discretion of our Company, subject to compliance with applicable law. For details, see “*Risk Factors – We intend to utilise a portion of the Net Proceeds towards funding the capital expenditure of our Subsidiary, Raneal Advanced Systems Private Limited and we cannot assure you that we will be able to derive the benefits from the proposed object*” on page 32 of this Red Herring Prospectus.

If the actual utilisation towards any of the Objects, as set out above, is lower than the proposed deployment, such balance will be used towards any other Object including general corporate purposes, provided that the total amount to be utilised towards general corporate purposes will not exceed 25% of the Gross Proceeds, in accordance with the SEBI ICDR Regulations. In case of a shortfall in raising requisite capital from the Net Proceeds towards meeting the Objects, we may explore a range of options including utilising our internal accruals, any additional equity or debt arrangements or both. We believe that such alternate arrangements would be available to fund any such shortfalls.

#### Means of finance

Fund requirements for the Objects are proposed to be met from the Net Proceeds and our internal accruals. Accordingly, we confirm that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Fresh

Issue or through existing identifiable internal accruals as required under Regulation 7(1)(e) the SEBI ICDR Regulations.

### **Details of the Objects of the Fresh Issue**

#### **1. Repayment/ prepayment, in full or part, of certain borrowings availed of by our Company**

Our Company proposes to utilise ₹ 1,100 million towards funding prepayment or repayment of all or a portion of its certain outstanding borrowing.

Our Company has entered into various financial arrangements from time to time, with banks, financial institutions and other entities. The outstanding loan facilities entered into by our Company include borrowing in the form of, *inter alia*, term loans and working capital facilities. As on August 31, 2022, the total fund based outstanding borrowings of our Company is ₹ 4,838.09 million. For further details, see “*Financial Indebtedness*” on page 296. Our Company proposes to utilise an estimated amount of ₹ 1,100.00 million from the Net Proceeds towards part or full repayment and/or pre-payment of certain borrowings availed by our Company, and the interest accrued therein.

Further, our Company may be subject to the levy of prepayment penalties or premiums, depending on the facility being repaid/prepaid, the conditions specified in the relevant documents governing such credit facility and the amount outstanding/being pre-paid/repaid, as applicable. Payment of prepayment penalty or premium, if any, shall be made from the Net Proceeds. If the Net Proceeds are insufficient to the extent required for making payments for such prepayment penalties or premiums, such excessive amount shall be met from our internal accruals.

Given the nature of these borrowings and the terms of repayment or prepayment, the aggregate outstanding amounts under these borrowings may vary from time to time and our Company may, in accordance with the relevant repayment schedule, repay or refinance some of the existing borrowings prior to Allotment. Further, our Company may avail further loans after the date of this Red Herring Prospectus. Accordingly, our Company may utilise the Net Proceeds for part prepayment of any such refinanced facilities or repayment of any additional facilities obtained by our Company. However, the aggregate amount to be utilised from the Net Proceeds towards repayment and/or prepayment, in part or full of certain borrowings (including refinanced or additional facilities availed, if any), would not exceed ₹ 1,100.00 million.

We believe that such repayment and/or pre-payment will help reduce our outstanding indebtedness, reduce debt servicing costs, improve our debt-to-equity ratio and enable utilisation of our accruals for further investment in our business growth and expansion. Additionally, we believe that the leverage capacity of our Company will improve our ability to raise further resources in the future to fund our potential business development opportunities and plans to grow and expand our business.

The following table provides the details of outstanding borrowings availed of by our Company, which are proposed to be repaid or prepaid, in full or in part, from the Net Proceeds:

| S. No.       | Name of the Lender | Date of sanction letter   | Nature of borrowings  | Purpose *  | Amount sanctioned (₹ in million) | Amount outstanding as on August 31, 2022 (₹ in million) | Repayment Date / Schedule   | Interest Rate (%)      | Pre-payment clause | Whether the loan has been utilized for the purpose for which it was availed |
|--------------|--------------------|---|---|--|----------------------------------|---|---|------------------------|--------------------|---|
| 1.           | Axis Bank          | Sanction letter dated May 31, 2022, April 27, 2021 and January 11, 2022 | Working Capital - Packing Credit in Foreign Currency (PCFC) | PCFC limits for orders from customers                                    | 793.50                           | 836.09  | PCFC will be allowed for a maximum period of upto 270 days or expiry of contracts/export letters of credit for shipment, whichever is earlier | 3 Month SOFR+ 200 bps  | Not Applicable     | Yes   |
| 2.           | ICICI Bank         | Sanction letters dated August 10, 2021 and September 18, 2019           | Working Capital - Packing Credit in Foreign Currency (PCFC) | PCFC limit for the project as mentioned in the relevant sanction letters | 900.00                           | 774.60  | Maximum tenor of 270 days or expiry of contracts or expiry of process cycle, whichever is earlier   | 6 Month SOFR + 170 BPs | Not Applicable     | Yes   |
| <b>Total</b> |                    |   |   |  | <b>1,693.50</b>                  | <b>1,610.69</b>   |   |                        |                    |   |

Note: (1) For Axis Bank, amount sanctioned in USD is converted into INR at a rate of 75.57 as on May 31, 2022, the date of sanction letter.

(2) For ICICI bank, amount sanctioned in USD is converted into INR at a rate of 75.00 as on August 10, 2021, the date of sanction letter

(3) Amount outstanding is converted into INR at a rate of 79.71 as on August 31, 2022

\* In accordance with Clause 9(A)(2)(b) of Part A of Schedule VI of the SEBI ICDR Regulations, our Company has obtained a certificate dated October 19, 2022, from the Statutory Auditor certifying that the borrowings have been utilised towards the purposes for which such borrowings were availed.

Our Company will approach the lenders after completion of this Offer for repayment/prepayment of the above borrowings. The amounts under the borrowing facilities may be dependent on various factors and may include intermediate repayments and drawdowns. Accordingly, it may be possible that amount outstanding under the borrowing facilities may vary from time to time. We may, from time to time, repay, refinance, enter into further



financing arrangements or draw down funds from any such existing borrowing facilities. In such event, we may utilise the Net Proceeds towards repayment/prepayment of any existing or additional indebtedness which will be selected based on various commercial considerations including, among others, the interest on the borrowing facility, the amount of the borrowing outstanding and the remaining tenor of the borrowing, any conditions attached to the borrowings restricting the ability to pre-pay/repay the borrowings, receipt of consents for prepayment from the respective lenders terms and conditions of consents and waivers, presence of onerous terms and conditions under the facility, other commercial considerations and applicable law governing such borrowings.

Our Company may be required to obtain the prior consent of or notify certain of the lenders prior to the repayment/prepayment.

For the purposes of the Offer, our Company has intimated and has obtained necessary consent from its lenders, as is respectively required under the relevant facility documentation for undertaking activities in relation to this Offer including consequent actions, such as change in the capital structure, change in shareholding pattern of our Company, change in management, amendment to the Articles of Association of our Company, utilisation of the proceeds of the Fresh Issue by the Company including for the part or whole repayment/prepayment of any loan facilities availed by the Company etc. For further details, please see “*Risk Factors – 14. We have incurred indebtedness and an inability to comply with repayment and other covenants in our financing agreements could adversely affect our business and financial condition. We have not been and may continue to not be, in compliance with certain financial covenants under certain of our financing agreements.*” on page 35.

## **2. Funding working capital requirements of our Company:**

Our Company proposes to utilise ₹ 1,600.00 million from the Net Proceeds towards funding its working capital requirements in the Fiscal 2023.

We have significant working capital requirements, and we fund our working capital requirements in the ordinary course of business from our internal accruals/equity and financing facilities from various banks, financial institutions and non-banking financial companies. Our Company requires additional working capital for funding future growth requirements of our Company.

The Company intends to utilize the working capital for its requirements in relation to expenses in relation to its business of system integration, cable and wire harness assemblies and kitting and for meeting other related business expenses.

### ***Basis of estimation of working capital requirement***

The details of our Company’s working capital as at March 31, 2022, March 31 2021 and March 31 2020, and the source of funding, derived from the standalone audited financial statements of our Company, as certified by NBS & Co, Chartered Accountants through their certificate dated October 19, 2022, are provided in the table below:

(₹ million)

| S. No.     | Particulars                             | As at March 31, 2022 | As at March 31, 2021 | As at March 31, 2020 |
|------------|---|----------------------|----------------------|----------------------|
| <b>(A)</b> | <b>Current Assets<sup>#</sup></b>       |                      |                      |                      |
|            | Inventories                             | 272.51               | 2,016.76             | 772.11               |
|            | Trade Receivables                       | 694.94               | 123.14               | 879.71               |
|            | Cash and bank balances                  | 8,003.23             | 5,493.33             | 4,166.24             |
|            | Advance to suppliers                    | 170.76               | 78.62                | 951.95               |
|            | Other financial and current assets      | 96.49                | 54.98                | 42.31                |
|            | <b>Total Current assets (A)</b>         | <b>9,237.93</b>      | <b>7,766.83</b>      | <b>6,812.32</b>      |
| <b>(B)</b> | <b>Current Liabilities</b>              |                      |                      |                      |
|            | Trade Payables                          | 965.13               | 1,297.99             | 1,506.99             |
|            | Advance from customer                   | 2,147.31             | 4,542.94             | 3,936.65             |
|            | Other financial and current liabilities | 101.23               | 250.91               | 25.15                |
|            | <b>Total Current Liabilities (B)</b>    | <b>3,213.67</b>      | <b>6,091.84</b>      | <b>5,468.79</b>      |

|            |   |                 |                 |                 |
|------------|---|-----------------|-----------------|-----------------|
|            | <b>Net Working Capital Requirements (A-B)</b> | <b>6,024.26</b> | <b>1,674.99</b> | <b>1,343.53</b> |
| <b>(C)</b> | <b>Funding pattern</b>                        |                 |                 |                 |
|            | Borrowings from banks                         | *5,026.20       | 1,363.79        | 1,339.77        |
|            | Internal Accruals                             | 998.06          | 311.20          | 3.76            |
|            | <b>Total Means of Finance</b>                 | <b>6,024.26</b> | <b>1,674.99</b> | <b>1,343.53</b> |

\* Bank borrowings includes working capital term loan

#Cash and cash equivalents have been considered as part of the current assets in the computation of net working capital requirements.

Note: Pursuant to the certificate dated October 19, 2022, issued by NBS & Co, Chartered Accountants.

For further details, please refer to “Other Financial Information” on page 233.

On the basis of the existing and estimated working capital requirement of our Company, and assumptions for such working capital requirements, our Board pursuant to its resolution dated September 16, 2022, and October 13, 2022, has approved the estimated and projected working capital requirements for Financial Years 2023 and 2024.

The details of our Company’s projected working capital requirements on a standalone basis for the Financial Years 2023 and 2024, and the proposed funding of such working capital requirements are set forth in the table below:

(₹ million)

| Sl. No.    | Particulars                             | Estimated as at  |                  |
|------------|---|------------------|------------------|
|            |   | March 31, 2023   | March 31, 2024   |
| <b>(A)</b> | <b>Current Assets</b>                   |                  |                  |
|            | Inventories                             | 749.41           | 808.57           |
|            | Trade receivables                       | 1,558.33         | 1,741.67         |
|            | Advance to Supplier                     | 2,757.27         | 2,974.94         |
|            | Cash and bank balances                  | 7,317.18         | 7,776.45         |
|            | Other financial and current assets      | 28.51            | 28.51            |
|            | <b>Total Current assets (A)</b>         | <b>12,410.70</b> | <b>13,330.14</b> |
| <b>(B)</b> | <b>Current Liabilities</b>              |                  |                  |
|            | Advance from Customer                   | 4,847.31         | 5,347.31         |
|            | Trade payables                          | 1,039.36         | 1,064.18         |
|            | Other financial and current liabilities | 279.24           | 322.87           |
|            | <b>Total Current Liabilities (B)</b>    | <b>6,165.91</b>  | <b>6,734.36</b>  |
|            | Net working capital requirements (A-B)  | 6,244.79         | 6,595.78         |
| <b>(C)</b> | <b>Funding pattern</b>                  |                  |                  |
|            | Borrowings from banks                   | 3,331.80         | 2,731.80         |
|            | Internal Accruals                       | 1,312.99         | 3,863.98         |
|            | <b>Proceeds from the Offer</b>          | <b>1,600.00</b>  | <b>0.00</b>      |
|            | <b>Total Means of Finance</b>           | <b>6,244.79</b>  | <b>6,595.78</b>  |

Note: Pursuant to the certificate dated October 19, 2022, issued by NBS & Co, Chartered Accountants.

#### Assumptions for our estimated working capital requirements

Provided below are details of the holding levels (days) considered and is derived from the standalone audited financial statements for the Financial Years 2020, 2021, and 2022. Further, we have also provided estimated holding levels (days) for Financial Years 2023 and 2024:

| Days   | Fiscal 2020<br>(Actual) | Fiscal 2021<br>(Actual) | Fiscal 2022<br>(Actual) | Fiscal 2023<br>(Estimated) | Fiscal 2024<br>(Projected) |
|--|-------------------------|-------------------------|-------------------------|----------------------------|----------------------------|
| <b>(Basis of revenue from contract with customers)</b> |                         |                         |                         |                            |                            |
| Inventories  | 64                      | 110                     | 11                      | 18                         | 17                         |
| Trade receivables                                      | 70                      | 7                       | 23                      | 33                         | 33                         |

|   |            |           |            |            |            |
|---|------------|-----------|------------|------------|------------|
| Advance to supplier                     | 79         | 4         | 7          | 65         | 63         |
| Cash and bank balances                  | 334        | 308       | 261        | 155        | 147        |
| Other financial and current assets      | 3          | 3         | 3          | 1          | 1          |
| Advances from customers                 | 315        | 255       | 70         | 103        | 101        |
| Trade Payables                          | 126        | 71        | 37         | 24         | 23         |
| Other financial and current liabilities | 2          | 14        | 3          | 7          | 7          |
| <b>Net working capital days</b>         | <b>107</b> | <b>92</b> | <b>195</b> | <b>138</b> | <b>130</b> |

Note: Pursuant to the certificate dated October 19, 2022, issued by NBS & Co, Chartered Accountants.

### Key assumptions for working capital requirements

| S. No.                     | Particulars                             | Assumptions  |
|----------------------------|---|--|
| <b>Current Assets</b>      |   |  |
| 1                          | Inventories                             | With the scale up in the production-based contracts in order book and revenue, the inventory holding period/ levels will be maintained between 17 to 18 days which should be in line with the projected business activity for the Fiscals 2023 and 2024.                 |
| 2                          | Trade Receivables                       | Trade receivable levels is expected to be maintained at 33 days which should be in line with the projected turnover and credit terms with the customers for the Fiscals 2023 and 2024.   |
| 3                          | Advance to suppliers                    | Advance to supplier will be maintained between 63 to 65 days which should be in line with projected turnover activity and credit terms agreed with the suppliers for the Fiscals 2023 and 2024.  |
| 4                          | Other financial and Current assets      | This primarily comprises of prepaid expenses, balances with statutory authorities, interest accrued but not due etc. Other financial and current assets have been maintained in line with the projected business activity for the Fiscals 2023 and 2024.                 |
| <b>Current Liabilities</b> |   |  |
| 1                          | Trade Payables                          | Trade Payable levels will be maintained between 23 to 24 days which should be in line with the projected business activity and credit terms agreed with the suppliers for the Fiscals 2023 and 2024.   |
| 2                          | Advances from Customers                 | As our Company's order book expands, the customer advances is expected to be maintained between 101 to 103 days which should be in line with the projected business activity and agreed terms of payment with the customers for the Fiscals 2023 and 2024.               |
| 3                          | Other financial and current liabilities | This primarily comprises of statutory payments dues, provision for income tax, payable to employees, short term provisions etc. Other financial and current liabilities have been maintained in line with the projected business activity for the Fiscals 2023 and 2024. |

Note:

1. The holding period of working capital components of the Fiscals 2020 and 2021 cannot be compared with the future projections due to the following reasons:
  - a. In Fiscal 2021, due to the outbreak of COVID-19 and the internal differences in the management, there was a disruption in the project execution and hence holding periods are not comparable with the future holding period of working capital components which is considered on an ideal basis. This has been discussed in "Risk Factors - The current and continuing impact of the ongoing COVID-19 pandemic on our business and operations is uncertain and cannot be predicted" on page 37.
  - b. In Fiscal 2020, due to the outbreak of COVID-19, there was a disruption in supply chain. Added to it is the obsolescence of a component wherein the design of the product had to undergo suitable change to replace with a new component and qualification. And hence the holding periods are not comparable with the future holding period of working capital components which is considered on an ideal basis without any disruption. This has been discussed in "Risk Factors - The current and continuing impact of the ongoing COVID-19 pandemic on our business and operations is uncertain and cannot be predicted" on page 37.

Note: Pursuant to the certificate dated October 19, 2022, issued by NBS & Co, Chartered Accountants.

### 3. Investment in our wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses.

Our Company proposes to utilise ₹ 448.83 million towards funding the capital expenditure of our wholly owned Subsidiary, Raneal Advanced Systems Private Limited ("RASPL") for the purpose of setting up a manufacturing facility at plot no 177 and 178 in SEZ Aerospace Park, Devanahalli, Bengaluru, for EMS through RASPL ("EMS Facility"). For further details of RASPL, please see the section "History and Certain Corporate Matters – Subsidiaries" on page 201.

Currently, our operational efficiencies have been established and refined over the years through an emphasis on economies of scale, incorporating the learnings we have acquired as part of our business operations, and supply chain developed for sourcing specialized raw materials. We intend to continue to maintain and improve our

operational efficiencies, with a focus on our supply chain. In order to improve our operational efficiency, we intend to implement backward and vertical integration measures such as undertaking EMS inhouse and MRO activities. For further detail, please see “*Our Business – Strategies – Continue to improve operational efficiencies through economies of scale, supply chain rationalization and effective resource planning*” on page 172.

We believe that our presence in system integration business will mitigate marketing risk for this new business vertical and enhance backward and vertical integration of our business lines.

We believe that the funding the capital expenditure requirements of RASPL for the purpose of setting up a facility for electronic manufacturing / printed circuit board assembly will mitigate the supply chain risk and will ensure meeting the customer requirement on timely manner and will also increase our Company’s profitability on a consolidated basis.

RASPL will be setting up the EMS Facility which will have facilities for design, development, manufacturing, qualification and life cycle support of high reliability electronic and electro – mechanical systems used in Aerospace and Defence, Medical Electronics and Industrial Electronics application.

The total estimated cost to establish the EMS Facility is ₹ 448.83 million (excluding pre-operatives and contingency), as estimated by our management, which has been verified by RBSA Valuation Advisors LLP, an independent advisory firm, pursuant to a techno economic viability report dated March 23, 2022 (“**Report**”), together with the addendum to the Report dated September 20, 2022. The Report provides the techno economic viability (“**TEV**”) study of the proposed EMS Facility to be set up by RASPL.

The form of infusion of such amount by the Company, allocated for this object will be by way of equity investments, in accordance with the applicable laws.

Further, as on the date of this Red Herring Prospectus, no funds have been deployed by the Company or RASPL towards the EMS Facility.

The entire cost of EMS Facility is proposed to be funded from the Net Proceeds. The breakdown of the cost is as below:

| S. No. | Expense category            | Estimated cost (₹ in million) |
|--------|-----------------------------|-------------------------------|
| 1.     | Land                        | 30.00                         |
| 2.     | Building and Infrastructure | 125.10                        |
| 3.     | Machineries and Equipment   | 280.10                        |
| 4.     | IT Infrastructure           | 13.63                         |
|        | <b>Total</b>                | <b>448.83</b>                 |

**Land:** RASPL proposes to utilize ₹ 30.00 million out of the amount proposed to be invested in it by our Company towards the land required for setting up the EMS Facility. The land (plot no 177 and 178) has been identified for setting up of facility in SEZ Aerospace Park, Devanahalli, Bengaluru over an area measuring one acre. RASPL will undertake the relevant steps to apply to the authorities to obtain the property on lease in accordance with applicable laws.

**Building and infrastructure:** RASPL proposes to utilize ₹ 125.10 million out of the amount proposed to be invested in it by our Company towards building and infrastructure. The key aspects of this expense includes, among other, civil works, raw material costs, water and electricity supply installation. Electricity supply installation includes expenses to obtain connection from local power distribution companies, diesel generators, water supply installation, fire safety installations and life safety measures including setting up fire hydrants and fire extinguishers as stipulated by the government norms and safety and security measure.

*Orders to be placed*

Neither we nor RASPL have placed orders for building and infrastructure as on the date of this Red Herring Prospectus. No second-hand or used equipment is proposed to be purchased out of the Net Proceeds. The detailed break-down of these estimated costs for building and infrastructure for the EMS Facility is as below:

| S. No        | Supplier Name                            | Description  | Quotation Date    | Amounts<br>(₹ in million) |
|--------------|--|--|-------------------|---------------------------|
| 1.           | Studio 3C                                | Building structural design & consultancy   | September 5, 2022 | 1.58                      |
| 2.           | Bigtree Design Team Private Limited      | Consultancy services for PHE, FPS, electrical & HVAC works   | September 5, 2022 | 0.80                      |
| 3.           | Planotech Consultant & Contractors       | Construction of industrial building – civil finishes with PEB structure  | September 3, 2022 | 89.22                     |
| 4.           | Planotech Consultant & Contractors       | External & internal electrical works – HT panel, HT cables & termination, LT panel, distribution panel, earthing, external & internal wiring | September 3, 2022 | 12.00                     |
| 5.           | Planotech Consultant & Contractors       | Supply, installation, testing and commissioning of PHE & fire alarm systems  | September 3, 2022 | 3.36                      |
| 6.           | Premium Cooling                          | Centralized air conditioning system  | September 2, 2022 | 4.95                      |
| 7.           | Navale Industrial and Control Equipments | LED light fixtures and ceiling fan   | September 2, 2022 | 1.01                      |
| 8.           | KONE Elevator India Private Limited      | 10 passenger elevator with 3 stops without machine room  | September 6, 2022 | 1.27                      |
| 9.           | Active Power Technologies                | Electrical distribution transformer oil cooled 630KVA, 11KVA/433V  | September 1, 2022 | 1.50                      |
| 10.          | Powerica Limited                         | Supply of silent diesel generator 304kW/380kVa and 144KW/180kVa  | September 2, 2022 | 3.63                      |
| 11.          | Active Power Technologies                | Diesel generator installation & commissioning with exhaust system, cabling & earthing  | September 2, 2022 | 2.24                      |
| 12.          | Vertex Pneumatics Private Limited        | Oil free reciprocating air compressor & dessicant type heatless air dryer  | September 6, 2022 | 1.22                      |
| 13.          | Static Systems Private Limited           | Conductive safe tiles  | September 2, 2022 | 2.32                      |
| <b>Total</b> |  |  |                   | <b>125.10</b>             |

These quotations have a validity period typically from 60 to 90 days. The amounts disclosed above are exclusive of applicable taxes and GST. Additionally, there may be revision in the final amounts payable towards these quotations pursuant to any taxes or levies payable on such item.

**Machineries and equipment:** RASPL intends to utilize ₹ 280.10 million of the amount proposed to be invested in it by our Company for the purchase of machinery and equipment at the EMS Facility.

*Orders to be placed*

Neither we nor RASPL have placed orders for any machineries or equipment as on the date of this Red Herring Prospectus.

No second-hand or used machineries and equipment is proposed to be purchased out of the Net Proceeds. The detailed break-down of these estimated costs for machinery and equipment is as below:

| S. No | Supplier Name                             | Description of Machine               | Quotation Date    | Amounts in the currency of the quotation |             | Amounts* (₹ in million) |
|-------|---|--------------------------------------|-------------------|--|-------------|-------------------------|
| 1.    | NMTronics (India) Private Limited         | Pick and place machine               | August 22, 2022   | JPY                                      | 141,200,000 | 79.91                   |
| 2.    | Accurex Technologies Pte Limited          | Fully automatic screen printer       | August 22, 2022   | USD                                      | 295,701     | 23.62                   |
| 3.    | NMTronics (India) Private Limited         | Hot air reflow oven                  | August 22, 2022   | USD                                      | 181,000     | 14.46                   |
| 4.    | NMTronics (India) Private Limited         | Solder paste inspection system       | August 22, 2022   | USD                                      | 152,200     | 12.16                   |
| 5.    | Accurex Technologies Pte Limited          | Automated optical inspection system  | August 22, 2022   | USD                                      | 260,000     | 20.77                   |
| 6.    | NMTronics (India) Private Limited         | Loader unloader and conveyor package | August 22, 2022   | USD                                      | 151,800     | 12.13                   |
| 7.    | Accurex Technologies Pte Limited          | X-Ray inspection system              | August 22, 2022   | USD                                      | 197,000     | 15.74                   |
| 8.    | Accurex Technologies Pte Limited          | Selective soldering system           | August 22, 2022   | GBP                                      | 48,000      | 4.44                    |
| 9.    | Accurex Technologies Pte Limited          | PCBA cleaning – vapour degreaser     | August 22, 2022   | GBP                                      | 81,000      | 7.49                    |
| 10.   | Accurex Technologies Pte Limited          | Ionic contamination tester           | August 22, 2022   | USD                                      | 30,000      | 2.40                    |
| 11.   | EMS Technologies Private Limited          | Wave soldering machine               | September 5, 2022 | INR                                      | 1,260,500   | 1.26                    |
| 12.   | Accurex Technologies Pte Limited          | BGA rework system                    | August 22, 2022   | USD                                      | 50,000      | 3.99                    |
| 13.   | INETest Technolgies India Private Limited | Flying probe tester                  | September 2, 2022 | EUR                                      | 221,500     | 17.62                   |
| 14.   | Teradyne Inc                              | In-Circuit Tester                    | October 7, 2022   | USD                                      | 309,788     | 24.75                   |
| 15.   | INETest Technolgies India Private Limited | JTAG – boundary scan diagnostic tool | September 2, 2022 | EUR                                      | 21,831      | 1.74                    |
| 16.   | Accurex Technologies Pte Limited          | Stencil cleaning machine             | August 22, 2022   | USD                                      | 44,845      | 3.58                    |
| 17.   | Accurex Technologies Pte Limited          | Solder paste mixer                   | August 22, 2022   | USD                                      | 2,700       | 0.22                    |
| 18.   | NMTronics (India) Private Limited         | Bare PCB inline clean                | August 22, 2022   | USD                                      | 32,000      | 2.56                    |
| 19.   | Accurex Technologies Pte Limited          | Profiler                             | August 22, 2022   | USD                                      | 15,000      | 1.20                    |
| 20.   | Accurex Technologies Pte Limited          | Depaneling / routing machine         | August 22, 2022   | USD                                      | 45,000      | 3.60                    |
| 21.   | Accurex Technologies Pte Limited          | Dry cabinet                          | August 22, 2022   | USD                                      | 22,000      | 1.76                    |
| 22.   | Accurex Technologies Pte Limited          | Stereo microscope                    | August 22, 2022   | USD                                      | 28,000      | 2.24                    |
| 23.   | Accurex Technologies Pte Limited          | Component counter                    | August 22, 2022   | USD                                      | 3,500       | 0.28                    |

| S. No        | Supplier Name                     | Description of Machine | Quotation Date  | Amounts in the currency of the quotation |         | Amounts* (₹ in million) |
|--------------|-----------------------------------|------------------------|-----------------|--|---------|-------------------------|
| 24.          | Accurex Solutions Private Limited | Soldering stations     | August 22, 2022 | USD                                      | 18,000  | 1.44                    |
| 25.          | Accurex Technologies Pte Limited  | Fume extraction system | August 22, 2022 | USD                                      | 50,000  | 3.99                    |
| 26.          | Accurex Technologies Pte Limited  | Hot air rework system  | August 22, 2022 | USD                                      | 4,000   | 0.32                    |
| 27.          | Accurex Technologies Pte Limited  | ESD tables             | August 22, 2022 | EUR                                      | 175,000 | 13.92                   |
| 28.          | Accurex Technologies Pte Limited  | ESD chairs             | August 22, 2022 | EUR                                      | 31,500  | 2.51                    |
| <b>Total</b> |                                   |                        |                 |  |         | <b>280.10</b>           |

\*Currency Conversion Rate for quotations in foreign currency: For 1 USD – Rs. 79.89, For 1 JPY – Rs. 0.56, For 1 GBP – Rs 92.46, For 1 EUR Rs. – 79.55 as on September 6, 2022 (Source: [www.rbi.org.in](http://www.rbi.org.in))

These quotations have a validity period typically of 60 to 90 days. The amounts disclosed above are exclusive of applicable taxes and GST. Additionally, there may be revision in the final amounts payable towards these quotations pursuant to any taxes or levies payable on such item.

**IT Infrastructure:** RASPL intends to utilize ₹ 13.63 million out of the amount proposed to be invested in it by our Company for the IT infrastructure at the EMS Facility. The key aspects of this expense, inter alia, includes the costs for purchasing and installing information technology equipment such as servers, desktops, laptops, printers, CCTV and purchasing software licenses.

#### *Orders to be placed*

Neither we nor RASPL have placed orders for any IT infrastructure as on the date of this Red Herring Prospectus. The detailed break-down of these estimated costs for IT infrastructure is as below:

| S. No | Supplier Name                             | Material required                         | Quotation Date    | Amounts (₹ in million) |
|-------|---|---|-------------------|------------------------|
| 1.    | Infiniti Engineers Private Limited        | Server                                    | September 5, 2022 | 2.00                   |
| 2.    | Infiniti Engineers Private Limited        | 22U server rack with full accessories     | September 5, 2022 | 0.03                   |
| 3.    | Infiniti Engineers Private Limited        | Laptops                                   | September 5, 2022 | 2.22                   |
| 4.    | Infiniti Engineers Private Limited        | Desktop computer                          | September 5, 2022 | 1.38                   |
| 5.    | Replica Xerography Private Limited        | Printer-copier-scanner                    | September 2, 2022 | 0.37                   |
| 6.    | Aishan Technologies India Private Limited | Firewall                                  | September 2, 2022 | 0.45                   |
| 7.    | Aishan Technologies India Private Limited | EPABX & telephones                        | September 2, 2022 | 0.20                   |
| 8.    | Aishan Technologies India Private Limited | NEC digital phones & analog Beetel phones | September 2, 2022 | 0.15                   |
| 9.    | Aishan Technologies India Private Limited | Fire alarm                                | September 2, 2022 | 0.65                   |

| S. No        | Supplier Name                                | Material required                                   | Quotation Date    | Amounts<br>(₹ in million) |
|--------------|--|---|-------------------|---------------------------|
| 10.          | Aishan Technologies India Private Limited    | Passive & active networking                         | September 2, 2022 | 1.40                      |
| 11.          | Aishan Technologies India Private Limited    | Public address system like Ceiling Speaker, mic etc | September 2, 2022 | 0.25                      |
| 12.          | Aishan Technologies India Private Limited    | CCTV System   | September 2, 2022 | 1.00                      |
| 13.          | Aishan Technologies India Private Limited    | Spectra access control & attendance system          | September 2, 2022 | 0.35                      |
| 14.          | Clockwork Business Solutions Private Limited | SAP - Business One                                  | September 5, 2022 | 3.18                      |
| <b>Total</b> |  |   |                   | <b>13.63</b>              |

These quotations have a validity period typically of 60 days. The amounts disclosed above are exclusive of applicable taxes and GST. Additionally, there may be revision in the final amounts payable towards these quotations pursuant to any taxes or levies payable on such item.

#### Means of Funding

The EMS Facility will be funded by a portion of the Net Proceeds of the Fresh Issue as specified in this Red Herring Prospectus.

#### Collaboration, performance guarantee, if any or assistance in marketing by the collaborator

There are no collaborations or performance guarantees given or assistance in marketing by any collaborator for the EMS Facility.

#### 4. General Corporate Purposes

Our Company proposes to deploy the balance Net Proceeds, aggregating to ₹ [●] million, towards general corporate purposes, subject to such amount not exceeding 25% of the Gross Proceeds, in compliance with the SEBI ICDR Regulations. The general corporate purposes for which our Company proposes to utilise Net Proceeds include, without limitation, meeting ongoing general corporate purposes or contingencies, strengthening marketing capabilities and brand building exercises, enhancing our technology related infrastructure, strategic initiatives and acquisition and/or funding any shortfall in any of the abovementioned objects. The quantum of utilisation of funds towards each of the above purposes will be determined by our Board, based on the amount actually available under this head and the business requirements of our Company, from time to time.

In addition to the above, our Company may utilise the Net Proceeds towards other purposes considered expedient and as approved periodically by our Board, subject to compliance with necessary provisions of the Companies Act. Our Company's management shall have flexibility in utilising surplus amounts, if any. Our management will have the discretion to revise our business plan from time to time and consequently our funding requirement and deployment of funds may change. This may also include rescheduling the proposed utilization of Net Proceeds. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

#### Interim use of Net Proceeds

The Net Proceeds pending utilisation for the purposes stated in this section, shall be deposited only with scheduled commercial banks included in the Second Schedule of the Reserve Bank of India Act, 1934, as amended. In accordance with Section 27 of the Companies Act, our Company confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in equity shares of any other listed company or for any investment in the equity markets.



## Bridge Financing Facilities

Our Company has not raised any bridge loans from any bank or financial institution as on the date of this Red Herring Prospectus, which are proposed to be repaid from the Net Proceeds.

## Offer Expenses

The total Offer related expenses are estimated to be approximately ₹ [●] million. The Offer related expenses primarily include fees payable to the BRLMs and legal counsels, fees payable to the Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' fees, Sponsor Banks' fees, Registrar's fees, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

All Offer expenses will be shared, between our Company and the Promoter Selling Shareholders on a pro-rata basis, in proportion to the Equity Shares issued and allotted by our Company in the Fresh Issue and the Offered Shares sold by the Promoter Selling Shareholders in the Offer for Sale, respectively, as may be mutually agreed and in accordance with applicable law. Any expenses paid by our Company on behalf of the Promoter Selling Shareholders in the first instance will be reimbursed to our Company, by the Promoter Selling Shareholders to the extent of its respective proportion of Offer related expenses. The Offer expenses shall be payable in accordance with the arrangements or agreements entered into by our Company with the respective Designated Intermediary.

The break-up for the estimated Offer expenses is set forth below:

| Activity   | Estimated expenses <sup>(1)</sup> (in ₹ million) | As a % of the total estimated Offer expenses <sup>(1)</sup> | As a % of the total Offer size <sup>(1)</sup> |
|--|--|---|---|
| BRLMs' fees and commissions (including underwriting commission, brokerage and selling commission)  | [●]  | [●]   | [●]   |
| Commission/processing fee for SCSBs, Sponsor Banks and Bankers to the Offer. Brokerage, underwriting commission and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs <sup>(2)(3)(4)(5)</sup> | [●]  | [●]   | [●]   |
| Fees payable to the Registrar to the Offer   | [●]  | [●]   | [●]   |
| Fees payable to the other advisors to the Offer  | [●]  | [●]   | [●]   |
| Others   |  |   |   |
| (i) Listing fees, SEBI filing fees, upload fees, BSE & NSE processing fees, book building software fees and other regulatory expenses.   | [●]  | [●]   | [●]   |
| (ii) Printing and stationery expenses  | [●]  | [●]   | [●]   |
| (iii) Advertising and marketing expenses   | [●]  | [●]   | [●]   |
| (iv) Fees payable to legal counsels  | [●]  | [●]   | [●]   |
| (v) Miscellaneous  | [●]  | [●]   | [●]   |
| <b>Total estimated Offer expenses</b>  | [●]  | [●]   | [●]   |

(1) Amounts will be finalised and incorporated in the Prospectus on determination of Offer Price

(2) Selling commission payable to the SCSBs on the portion for RIBs, and Non-Institutional Bidders which are directly procured and uploaded by the SCSBs, would be as follows:

|  |   |
|--|---|
| Portion for RIBs*                      | 0.35% of the Amount Allotted* (plus applicable taxes) |
| Portion for Non-Institutional Bidders* | 0.15% of the Amount Allotted* (plus applicable taxes) |

\*Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price

Selling commission payable to the SCSBs will be determined on the basis of the bidding terminal id as captured in the bid book of the BSE or NSE.

(3) No processing fees shall be payable by our Company and the Promoter Selling Shareholders to the SCSBs on the applications directly procured by them.

Processing fees payable to the SCSBs on the portion for RIBs, and Non-Institutional Bidders(excluding UPI Bids) which are procured by the members of the Syndicate/sub-Syndicate/Registered Brokers/RTAs/ CDPs and submitted to SCSB for blocking, would be as follows:

|   |  |
|---|--|
| Portion for RIB and Non-Institutional Bidders | ₹ 10 per valid application (plus applicable taxes) |
|---|--|

Notwithstanding anything contained above the total processing fees payable under this clause will not exceed ₹ 1.00 million (plus applicable taxes) and in case if the total processing fees exceeds ₹ 1.00 million (plus applicable taxes) then the processing fees shall be paid on pro-rata basis. Processing fees to the SCSBs for capturing Syndicate Member/Sub-syndicate (broker)/sub-broker code on the ASBA Form for Non-Institutional Bidders and Qualified Institutional Bidders with bids above ₹5,00,000 would be ₹10 plus applicable taxes, per valid application.

- (4) Selling commission on the portion for RIBs (up to ₹ 200,000) using the UPI mechanism, Non-Institutional Bidders which are procured by members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs or for using 3-in-1 type accounts- linked online trading, demat & bank account provided by some of the brokers which are members of Syndicate (including their sub-Syndicate Members) would be as follows:

|                                       |   |
|---------------------------------------|---|
| Portion for RIBs                      | 0.35% of the Amount Allotted* (plus applicable taxes) |
| Portion for Non-Institutional Bidders | 0.15% of the Amount Allotted* (plus applicable taxes) |

\* Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price.

The selling commission payable to the Syndicate / sub-Syndicate Members will be determined:

- For RIBs and NII (up to ₹ 5 lakhs) on the basis of the application form number / series, provided that the application is also bid by the respective Syndicate / sub-Syndicate Member. For clarification, if a Syndicate ASBA application on the application form number / series of a Syndicate / sub-Syndicate Member, is bid by an SCSB, the selling commission will be payable to the SCSB and not the Syndicate / sub-Syndicate Member.
  - For NII (Bids above ₹ 5 lakhs) on the basis of the Syndicate ASBA Form bearing SM code and sub-syndicate code of the application form submitted to SCSBs for blocking of the fund and uploading on the stock exchanges platform by SCSBs. For clarification, if a Syndicate ASBA application on the application form number / series of a Syndicate / sub-Syndicate Member, is bid by an SCSB, the selling commission will be payable to the Syndicate/ sub Syndicate members and not the SCSB.
- (5) Uploading charges:

- payable to members of the Syndicate (including their sub-Syndicate Members), on the applications made using 3-in-1 accounts, would be: ₹ 10 plus applicable taxes, per valid application bid by the Syndicate member (including their sub-Syndicate Members),
- Bid uploading charges payable to the SCSBs on the portion of QIB and Non-Institutional Bidders (excluding UPI Bids) which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking and uploading would be: ₹ 10 per valid application (plus applicable taxes)

The selling commission and bidding charges payable to Registered Brokers, the RTAs and CDPs will be determined on the basis of the bidding terminal id as captured in the bid book of BSE or NSE.

- Selling commission/ uploading charges payable to the Registered Brokers on the portion for RIBs (up to ₹ 200,000) procured through UPI Mechanism and Non Institutional Bidders which are directly procured by the Registered Broker and submitted to SCSB for processing, would be as follows:

|  |  |
|--|--|
| Portion for RIBs*                      | ₹ 10 per valid application (plus applicable taxes) |
| Portion for Non-Institutional Bidders* | ₹ 10 per valid application (plus applicable taxes) |

\* Based on valid applications

- (6) Uploading charges/ processing fees for applications made by RIBs (up to ₹ 200,000) and Non-Institutional Bidders (for an amount more than ₹ 200,000 and up to ₹ 500,000) using the UPI Mechanism would be as under:

|  |  |
|--|--|
| Members of the Syndicate / RTAs / CDPs (uploading charges) | ₹ 15 per valid application (plus applicable taxes)   |
| Sponsor Bank (Processing fee) Axis Bank Limited            | ₹ 6.50 per valid application after 5,00,000 applications (plus applicable taxes)<br><br>The Sponsor Bank shall be responsible for making payments to the third parties such as remitter bank, NPCI and such other parties as required in connection with the performance of its duties under applicable SEBI circulars, agreements and other applicable laws |
| Sponsor Bank (Processing fee) HDFC Bank Limited            | ₹ 8.00 per valid application (plus applicable taxes)<br><br>The Sponsor Bank shall be responsible for making payments to the third parties such as remitter bank, NPCI and such other parties as required in connection with the performance of its duties under applicable SEBI circulars, agreements and other applicable laws                             |

Notwithstanding anything contained above the total uploading / bidding charges payable under this clause will not exceed ₹ 2.50 million (plus applicable taxes) and in case if the total uploading / bidding charges exceeds ₹ 2.50 million (plus applicable taxes) then uploading charges will be paid on pro-rata basis except the fee payable to respective Sponsor Bank.

All such commissions and processing fees set out above shall be paid as per the timelines in terms of the Syndicate Agreement and Cash Escrow and Sponsor Bank Agreement.

Pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, applications made using the ASBA facility in initial public offerings (opening on or after September 1, 2022) shall be processed only after application monies are blocked in the bank accounts of investors (all categories). Accordingly, Syndicate / sub-Syndicate Member shall not be able to Bid the Application Form above ₹ 5 lakhs and the same Bid cum Application Form need to be submitted to SCSB for blocking of the fund and uploading on the Stock

*Exchange bidding platform. To identify bids submitted by Syndicate / sub-Syndicate Member to SCSB a special Bid-cum-application form with a heading / watermark "Syndicate ASBA" may be used by Syndicate / sub-Syndicate Member along with SM code and broker code mentioned on the Bid-cum Application Form to be eligible for brokerage on allotment. However, such special forms, if used for retail Bids and NIB bids up to ₹ 5 lakhs will not be eligible for brokerage.*

### **Monitoring Utilization of Funds**

In accordance with Regulation 41 of the SEBI ICDR Regulations, our Company has appointed CARE Ratings Limited as the monitoring agency for monitoring the utilisation of Net Proceeds as the proposed Fresh Issue exceeds ₹ 1,000.00 million. Our Company will disclose the utilisation of the Net Proceeds, including interim use under a separate head in our balance sheet for such Fiscals as required under applicable law, specifying the purposes for which the Net Proceeds have been utilised. Our Company will also, in its balance sheet for the applicable Fiscals, provide details, if any, in relation to all such Net Proceeds that have not been utilised, if any, of such currently unutilised Net Proceeds.

Pursuant to Regulation 32(3) of the SEBI Listing Regulations, our Company shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds. On an annual basis, our Company shall prepare a statement of funds utilised for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilised. Such disclosure shall be made only until such time that all the Net Proceeds have been utilised in full. The statement shall be certified by the statutory auditor of our Company. Furthermore, in accordance with Regulation 32(1) of the SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilisation of the proceeds of the Fresh Issue from the Objects; and (ii) details of category wise variations in the actual utilisation of the proceeds of the Fresh Issue from the Objects of the Fresh Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results and explanation for such variation (if any) will be included in our Director's report, after placing the same before the Audit Committee.

### **Variation in Objects**

Our Company shall not vary the Objects of the Offer, as envisaged under Sections 13(8) and 27 of the Companies Act and applicable rules, without our Company being authorised to do so by the Shareholders by way of a special resolution. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution ("Shareholders' Meeting Notice") shall specify the prescribed details, provide Shareholders with the facility to vote by electronic means and shall be published in accordance with the Companies Act, 2013.

Our Promoters or controlling Shareholders will be required to provide an exit opportunity to such Shareholders who do not agree to the proposal to vary the objects, subject to the provisions of the Companies Act 2013 and in accordance with such terms and conditions, including in respect of pricing of the Equity Shares, in accordance with the Companies Act 2013 and the SEBI ICDR Regulations

### **Appraising agency**

None of the Objects for which the Net Proceeds will be utilised have been appraised by any agency. However, we have relied on techno economic viability report dated March 23, 2022, issued by the RBSA Valuation Advisors LLP, an independent advisory firm, together with the addendum to the techno economic viability report dated September 20, 2022, for setting up of proposed facility for Electronics Manufacturing Services (PCB Assembly) by RASPL.

### **Other confirmations**

Other than the Offer for Sale component, none of our Directors Promoters, members of Promoter Group or Key Managerial Personnel will receive any portion of the Offer Proceeds and there are no material existing or anticipated transactions in relation to the utilisation of the Net Proceeds entered into or to be entered into by our Company with our Promoters, members of Promoter Group, Directors and/or Key Managerial Personnel and Group Companies. Further, there are no existing or anticipated interest of such individuals and entities in the objects of the Offer as set out above. Our Company confirms that there are no strategic or financial partners to the objects of the Offer.

No part of the Net Proceeds will be paid by our Company as consideration to our Promoter, members of the Promoter Group, our Directors or our Key Managerial Personnel except in the normal course of business and in compliance with applicable law.

## BASIS FOR OFFER PRICE

The Offer Price will be determined by our Company, in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹ 2 each and the Offer Price is [●] times the Floor Price and [●] times the Cap Price of the Price Band. Investors should also see “Our Business”, “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Restated Financial Information” and “Summary Financial Information” on pages 163, 27, 299, 233 and 70, respectively, to have an informed view before making an investment decision.

### Qualitative Factors

Some of the qualitative factors and our strengths which form the basis for computing the Offer Price are:

- (i) Among the preferred Indian Offset Players for the defence and aerospace industry with global accreditations.
- (ii) Technology enabled and scalable end-to-end capabilities.
- (iii) Business model with visibility of cash flows and ability to mitigate operational and technology risk.
- (iv) Strategically located in Special Aerospace Economic Zone with an advanced and modern manufacturing facility.
- (v) Well-positioned to capitalize on industry tailwinds.
- (vi) Track record of consistent financial performance.
- (vii) Experienced and qualified Promoters and senior management team supported by a committed employee base.

For details, see “Our Business –Strengths” on page 165.

### Quantitative Factors

Certain information presented below relating to our Company is derived from the Restated Financial Information for the three month period June 30, 2022 and June 30, 2021 and for Fiscals 2022, 2021 and 2020.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

#### (a) Basic and Diluted Earnings Per Share (“EPS”):

| Fiscal / Period ended                                  | Basic EPS (in ₹) | Diluted EPS (in ₹) | Weight |
|--|------------------|--------------------|--------|
| March 31, 2020 (standalone)                            | 1.39             | 1.39               | 1      |
| March 31, 2021 (standalone)                            | 4.22             | 4.22               | 2      |
| March 31, 2022 (consolidated)                          | 9.19             | 9.19               | 3      |
| <b>Weighted Average*</b>                               | <b>6.23</b>      | <b>6.23</b>        | -      |
| Three month period ended June 30, 2021^ (standalone)   | 0.48             | 0.48               | -      |
| Three month period ended June 30, 2022^ (consolidated) | 0.72             | 0.72               | -      |

Note: EPS has been calculated in accordance with the Indian Accounting Standard 33 – “Earnings per share”. The face value of equity shares of the Company is ₹ 2 each.

- (1) \*Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. (EPS x Weight) for each year/Total of weights.
- (2) The face value of each Equity Share is ₹ 2 each.
- (3) Earnings per Share (₹) = Profit attributable to equity shareholders for the year/Weighted Average No. of equity shares during the period/year
- (4) Basic and diluted earnings/ (loss) per equity share: Basic and diluted earnings/ (loss) per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended).
- (5) The figures disclosed above are based on the Restated Financial Information, as adjusted for the bonus issue of 52,500,000 Equity Shares for all the periods presented herein, as applicable.

^Not annualized

(b) **Price/Earning (“P/E”) ratio in relation to Price Band of ₹ [●] to ₹ [●] per Equity Share:**

| Particulars                          | P/E at the Floor Price (no. of times) | P/E at the Cap Price (no. of times) |
|--------------------------------------|---------------------------------------|-------------------------------------|
| Based on basic EPS for Fiscal 2022   | [●]                                   | [●]                                 |
| Based on diluted EPS for Fiscal 2022 | [●]                                   | [●]                                 |

**Industry P/E ratio**

| Particulars               | P/E ratio    |
|---------------------------|--------------|
| Highest                   | 84.69        |
| Lowest                    | 32.36        |
| <b>Industry Composite</b> | <b>62.94</b> |

Notes:

(1) The industry high and low has been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/E of the industry peer set disclosed in this section. For further details, see “– (e) Comparison of Accounting Ratios with Listed Industry Peers” on page 113.

(c) **Return on Net Worth (“RoNW”)**

| Fiscal/ Period ended                                    | RoNW (%)     | Weight |
|---|--------------|--------|
| March 31, 2020 (standalone)                             | 56.75        | 1      |
| March 31, 2021 (standalone)                             | 63.18        | 2      |
| March 31, 2022 (consolidated)                           | 55.79        | 3      |
| <b>Weighted Average*</b>                                | <b>58.41</b> |        |
| Three months period ended June 30, 2021^ (standalone)   | 6.68         | -      |
| Three months period ended June 30, 2022^ (consolidated) | 4.52         | -      |

\*Weighted average means weighted average return on Net worth (“RoNW”) derived from Restated Financial Information based on weights assigned for the respective year ends

NOTES:

Return on Net Worth (%) = Profit for the year divided by Total Equity at the end of the year.

Net worth is equal to total equity.

^ Not annualized

(d) **Net Asset Value (“NAV”) per share**

| Fiscal/ Period ended                | NAV (₹) |
|-------------------------------------|---------|
| As on March 31, 2022 (consolidated) | 15.19   |
| As on June 30, 2022 (consolidated)  | 15.92   |
| After the completion of the Offer   | [●]     |
| Offer Price                         | [●]     |

NOTES:

Offer Price per Equity Share will be determined on conclusion of the Book Building Process.

Net asset value (per Equity Share) means total equity as restated divided by number of Equity Shares outstanding at the end of the period/ year in accordance with Ind AS 33.

Total Equity has been computed by aggregating equity share capital, instruments entirely equity in nature and other equity.

(e) **Comparison of Accounting Ratios with Listed Industry Peers**

| Name of the company                       | Consolidated / Standalone | Total Income for Fiscal 2022 (₹ in million) | Face Value per Equity Share (₹) | P/E <sup>(3)</sup> | EPS for Fiscal 2022 (₹) |                        | Return on Net Worth ('RoNW') for Fiscal 2022 (%) <sup>(4)</sup> | Net Asset Value/ Share as at March 31, 2022 (₹) <sup>(2)</sup> |
|---|---------------------------|---|---------------------------------|--------------------|-------------------------|------------------------|---|--|
|   |                           |   |                                 |                    | Basic                   | Diluted <sup>(1)</sup> |   |  |
| <b>DCX Systems Limited</b>                | Consolidated*             | 11,243.34                                   | 2.00                            | N.A.               | 9.19                    | 9.19                   | 55.8%   | 15.19  |
| <b>Peer Group</b>                         |                           |   |                                 |                    |                         |                        |   |  |
| Bharat Electronics Limited <sup>(5)</sup> | Consolidated              | 1,55,997.20                                 | 1.00                            | 32.36              | 3.28                    | 3.28                   | 19.5%   | 16.83  |
| Data Patterns (India) Limited             | Consolidated              | 3,148.10                                    | 2.00                            | 61.56              | 19.48                   | 19.48                  | 16.4%   | 110.72   |
| Paras Defence and Space Technologies Ltd  | Consolidated              | 1,855.34                                    | 10.00                           | 84.69              | 7.78                    | 7.78                   | 7.2%  | 97.06  |
| Astra Microwave Products Ltd              | Consolidated              | 7,568.41                                    | 2.00                            | 73.15              | 4.37                    | 4.37                   | 6.5%  | 67.61  |
| Centum Electronics Ltd                    | Consolidated              | 7,879.64                                    | 10.00                           | n.m. <sup>^</sup>  | (23.70)                 | (23.70)                | (26.9%)   | 154.07   |

\*Based on Restated Financial Information

<sup>^</sup> n.m. signifies not meaningful.

Notes:

(1) Diluted EPS refers to the Diluted EPS sourced from the financial statements of the respective peer group companies for the year ended March 31, 2022.

(2) NAV is computed as the closing net worth divided by the closing outstanding number of equity shares as on March 31, 2022

(3) P/E Ratio has been computed based on the closing market price of equity shares on NSE on October 7, 2022, divided by the Diluted EPS provided under Note 1 above.

(4) RoNW is computed as net profit after tax (including profit attributable to non-controlling interest) divided by closing net worth. Closing net worth has been computed as sum of paid-up share capital and other equity as on March 31, 2022

(5) Number of shares outstanding, Net Asset Value and EPS after considering the 2:1 bonus issue by Bharat Electronics Limited on September 15, 2022

**(f) The Offer price is [●] times of the face value of the Equity Shares**

The Offer Price of ₹ [●] has been determined by our Company in consultation with the BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the above-mentioned information along with “Risk Factors”, “Our Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Restated Financial Information” on pages 27, 163, 299 and 233, respectively, to have a more informed view.

The trading price of the Equity Shares could decline due to the factors mentioned in the “Risk Factors” beginning on page 27 and you may lose all or part of your investment

## STATEMENT OF SPECIAL TAX BENEFITS

### STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO DCX SYSTEMS LIMITED (“THE COMPANY”), AND THE SHAREHOLDERS OF THE COMPANY UNDER THE APPLICABLE DIRECT AND INDIRECT TAX LAWS IN INDIA.

Date: September 20, 2022

#### **The Board of Directors**

#### **DCX Systems Limited**

Plot #29, 30 & 107, Aerospace Space SEZ Park

KIADB Industrial Area, Devenahalli

Bengaluru – 562 110

**Karnataka, India**

Subject: Statement of Possible Special Tax Benefits available to the Company, and its shareholders under the direct and indirect tax laws.

Dear Sirs,

We NBS and Co. (Chartered Accountants), the statutory auditors of the Company refer to the proposed initial public offering of equity shares of face value ₹2 (“**Equity Shares**” and such offering the “**Offer**”). We enclose herewith the statement (the “**Annexure**”) showing the possible special tax benefits under direct and indirect tax laws presently in force in India available to the Company, and its shareholders, including under the Income Tax Act 1961, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, Customs Act, 1962, the Customs Tariff Act, 1975 and the Foreign Trade Policy 2015-2020 (collectively the “**Taxation Laws**”), and the rules, regulations, circulars and notifications issued in connection with the Taxation Laws which are applicable to the assessment year 2023-24 relevant to the financial year 2022-23.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant Taxation Laws. Hence, the ability of the Company or its shareholders to derive these direct and indirect tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company and its shareholders face in the future, the Company and its shareholders may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to specific tax implications arising out of their participation in the Offer. We are neither suggesting nor are we advising any investor to invest in the Offer based on this statement. We do not express any opinion or provide any assurance whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/would be met.

We also consent to the references to us as “Experts” as defined under Section 2(38) of the Companies Act, 2013 (the “**CA, 2013**”), read with Section 26(5) of the CA, 2013 to the extent of the certification provided hereunder and included in the updated draft red herring prospectus, red herring prospectus, prospectus or in any other documents in connection with the Offer (together, the “**Offer Documents**”).

We hereby give our consent to include this statement of possible special tax benefits along with the Annexure in the Offer Documents.

This certificate is issued for the sole purpose of the Offer, and can be used, in full or part, for

inclusion in the Offer Documents, and for the submission of this certificate as may be necessary, to any regulatory / statutory authority, stock exchanges, any other authority as may be required and/or for the records to be maintained by the Book Running Lead Managers in connection with the Offer and in accordance with applicable law, and for the purpose of any defense the Book Running Lead Managers may wish to advance in any claim or proceeding in connection with the contents of the Offer Documents.

This certificate may be relied on by the Book Running Lead Managers, their affiliates and legal counsel in relation to the Offer.

We undertake to update you in writing of any changes in the abovementioned position until the date the Equity Shares issued pursuant to the Offer commence trading on the stock exchanges. In the absence of any communication from us till the Equity Shares commence trading on the stock exchanges, you may assume that there is no change in respect of the matters covered in this certificate.

### **LIMITATIONS**

Our views expressed in the enclosed Annexure are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. Reliance on the Annexure is on the express understanding that we do not assume responsibility towards the investors and third parties who may or may not invest in the proposed Offer relying on the Annexure.

For NBS and Co.  
Chartered Accountants  
Firm's Registration No: 110100W

Pradeep Shetty  
Partner  
Place: Mumbai  
Date: September 20, 2022  
UDIN: 22046940ATJLWB4648



## **ANNEXURE TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO DCX SYSTEMS LIMITED (“THE COMPANY”), AND ITS SHAREHOLDERS**

The information provided below sets out the possible special tax benefits available to the Company, and the shareholders of the Company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares of the Company, under the current tax laws presently in force. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on commercial imperatives a shareholder faces, may or may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to specific tax implications arising out of their participation in the issue. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement. The statement below covers only relevant special direct and indirect tax law benefits and does not cover benefits under any other law.

### **INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THEIR PARTICULAR SITUATION.**

#### **I. STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS.**

Under the Income Tax Act, 1961 (the Act)

*Sec 10AA:*

*The company is eligible to claim deduction under section 10AA from the total income computed in the manner provided in the section. The company commenced claiming exemption from the financial year 2019-20. The company is eligible to claim this tax benefit for a period of fifteen years from the financial year 2019-*

80JJAA: Deduction in respect of employment of new employees:

Subject to the fulfillment of prescribed conditions, the Company is entitled to claim deduction of an amount equal to thirty per cent of additional employee cost (relating to specified category of employees) incurred in the course of business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided under section 80JJAA of the Act. This deduction is available to the company:

*Special direct tax benefits available to Shareholders*

#### **1. Special tax benefits available to the shareholders of the Company under the Act**

##### **(a) To Resident taxpayer**

Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under Section 80M of the Act would be available on fulfilling the conditions (as discussed above).

Section 112A of the Act provides for concessional tax rate of 10% (plus applicable surcharge and cess) on long-term capital gains (exceeding Rs. 1,00,000) arising from the transfer of equity shares or units of an equity-oriented fund or units of a business trust if Security Transaction Tax ('STT') has been paid on both acquisition and transfer of such shares / units and subject to fulfilment of other prescribed conditions (including Notification No. 60/2018/F.No.370142/9/2017-TPL dated 1 October 2018). The benefit of foreign currency exchange difference and indexation, as provided under the first and second proviso to section 48 of the Act, shall not be applicable for computing long-term capital gains taxable under section 112A of the Act.

Section 112 of the Act provides for taxation of long-term capital gains, resulting on transfer of *inter-alia*, listed shares of the company (other than those covered under section 112A), which shall be lower of the following:

- 20% (plus applicable surcharge and cess) with indexation benefit; or
- 10% (plus applicable surcharge and cess) without indexation benefit
- As per the provisions of section 111A of the Act, short-term capital gains arising from transfer of equity shares in the company through a recognized stock exchange and subject to STT shall be taxable at a concessional rate of 15% (plus applicable surcharge and cess, if any).

Where the gains arising on transfer of shares of the company are included in the business income of a shareholder and assessable under the head “Profits and Gains of Business or Profession” and such transfer is subjected to STT, then such STT shall be a deductible expense from the business income as per the provisions of section 36(1)(xv) of the Act.

**(b) Non-Resident taxpayer**

As per provisions of Section 90(2) of the Act, non-resident shareholders can opt to be taxed in India as per the provisions of the Act or the double taxation avoidance agreement entered into by the Government of India with the country of residence of the non-resident shareholder, whichever is more beneficial.

**Notes:**

1. The special tax benefits discussed in the Statement sets out only the special tax benefits available to the Company or its shareholders under the Act, and does not cover any benefit under any other law in force in India. This statement does not discuss any tax consequences in any country outside India.
2. These special tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfill
3. The special tax benefits discussed in the Statement are not exhaustive and is only intended to provide general information to the investors and hence, is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue
4. The Statement has been prepared on the basis that the shares of the Company are listed on a recognized stock exchange in India and the Company will be issuing shares
5. The Statement is prepared on the basis of information available with the Management of the Company and there is no assurance that:
  - i. the Company or its shareholders will continue to obtain these benefits in future;
  - ii. the conditions prescribed for availing the benefits have been/ would be met with; and
  - iii. the revenue authorities/courts will concur with the view expressed herein.

**II. STATEMENT OF POSSIBLE INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS**

*Special tax benefits available to the Company*

SEZ Units are free to import from the domestic sources without paying any duty and GST on capital goods, raw materials, consumables, spare, packing materials, office equipment, DG sets, etc. for implementation of their project in the zone without any license or specific approvals

**Notes:**

The above statement of possible indirect tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences.

## SECTION IV- ABOUT OUR COMPANY

### INDUSTRY OVERVIEW

*Unless otherwise indicated, industry and market data used in this section has been derived from the report titled “The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment” September 19, 2022 (“Company Commissioned F&S Report”), prepared and issued Frost & Sullivan (India) Private Limited (“F&S”) appointed on January 7, 2022, exclusively commissioned and paid for by our Company in connection with the Offer. The data included herein includes excerpts from the Company Commissioned F&S Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Offer), that has been left out or changed in any manner. A copy of the Company Commissioned F&S Report is available on the website of our Company at <https://dexindia.com/investors>. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents in the Company Commissioned F&S Report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.*

*While preparing its report, F&S has also sourced information from publicly available sources, including our Company’s financial statements available publicly. However, financial information relating to our Company presented in other sections of this Red Herring Prospectus has been prepared in accordance with Ind AS and restated in accordance with the SEBI ICDR Regulations. Accordingly, the financial information of our Company in this section is not comparable with Ind AS financial information presented elsewhere in this Red Herring Prospectus.*

### SNAPSHOT OF MACROECONOMIC SCENARIO

#### Global Macro-economic Overview

As per the July 2022 update of the World Economic Outlook (“WEO”) published by International Monetary Fund (“IMF”), the global growth projection has been revised and expected to be 6.1% in 2021 and 3.2% in 2022. The lower growth in 2022 is primarily due to downward revision of US growth by 1.4% due to removal of the Build Back Better fiscal policy package from the baseline, as well as faster withdrawal of monetary assistance resulting in reduced household purchasing power. Another factor which affected the lower projection is persistent supply constraints. For 2023, global growth is forecasted to be 2.9%. It is expected that by the end of 2022, severe health outcomes in most nations will decrease to low levels, if vaccination rates improve globally, and medicines become more effective.

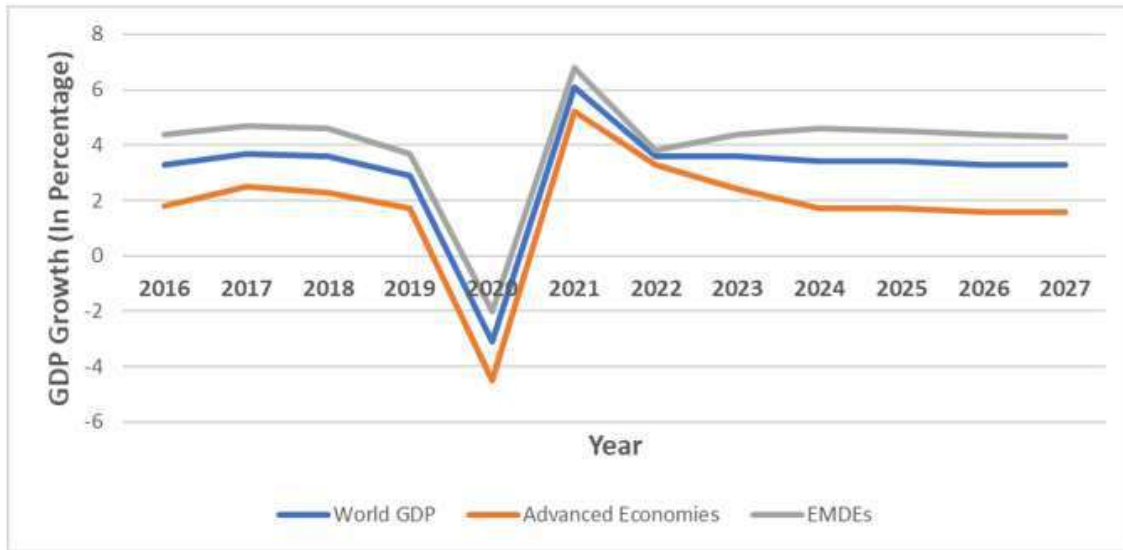
Further, inflation is expected to increase in later half of 2022 due to supply-demand imbalances, reaching 6.6% to 9.5% globally, an increase of 0.9% over previous predictions.

The Ukraine-Russia war has meant an upturn in the defence industry sector with countries committing more resources, announcing new procurements and an increase in their defence expenditures especially in Europe. Germany recently announced that it would substantially increase defence spending. Countries such as France, Italy, the Netherlands, Portugal, Spain and Sweden have proclaimed their intention to spend more in line with NATO and EU targets, and countries that already meet the 2% target such as several Baltic states and eastern NATO allies will spend more in future.

#### Global GDP Growth

The growth of advanced economies, and emerging markets and developing economies (“EMDEs”) at constant prices are mentioned in the table shown below:

## World GDP Growth



Notes: Data for 2016-2020 is actual; data for 2021-2026 is estimated. Aggregate growth rates have been calculated using GDP weights recorded for 2020 at constant prices. (Jan- Dec)

After the rebound in 2021, global growth is expected to gradually moderate largely due to the reduction in private consumption, fading investment and withdrawal of macroeconomic assistance.

As per data from the World Bank, up to 2020, globally countries were spending on average 2.4% of their GDP on defence activities. With the increasing instability globally especially with the aggressive stance of Russia and China to their neighbours, this is expected to increase in the future.

### Global Inflation

Over the last 12 months (August 2021 to August 2022), all items consumer price index increased 8.5% after rising 1.3% in June. There is a possibility of recession becoming a possibility as soaring inflation and rising interest rates dents consumption driving a decrease in oil prices. Brent crude has already fallen to \$ 88.50 a barrel, a seven-month low dating back to before the Russian invasion of Ukraine. It was the first time Brent had dropped below \$ 90 a barrel since February 2022. However, these figures remain highly uncertain and sensitive to geopolitical outcomes.

Recent pricing pressures in EMDEs that may drive inflation above goal ranges may not necessitate a monetary policy response as long as the pressures are transient and inflation expectations remain well-anchored. In Emerging Market and Developing Economies, the market experienced a growth inflation due to increase in food, energy, and core components. Around two-third of EMDEs experienced double-digit food inflation in 2021.

### Steps Taken by The Government Across the World

As compared to the global financial crisis that took place in the year 2008, it is noted that governments across the global markets took timely interventions to curb the economic downturn. The supply and demand are gradually reaching equilibrium as the lockdowns start to abate around the globe.

The steps taken by a few leading countries are mentioned in the following paragraphs:

## US

- On August 12, 2022, US House Democrats passed the Inflation Reduction Act of 2022 committing US\$370 billion dedicated to curbing harmful emissions and promoting green technology.

## India

- On May 22, 2022, India unveiled its US\$ 26 billion inflation plan that includes lower fuel taxes and import levies. As part of India's plan to ease pressure on consumers, the federal government slashed levies on pump prices of gasoline and diesel, waived import tax on coking coal, which is used to make steel, and increased subsidies on fertilizers and cooking gas.

## UK

- In May 2022, a £15 billion package was announced in support of households. An Energy Profits Levy on the profits of the oil and gas sector was also announced, which is estimated to raise £5 billion in its first 12 months.
- In March 2022, relief was provided on fuel and energy purchases.

## France

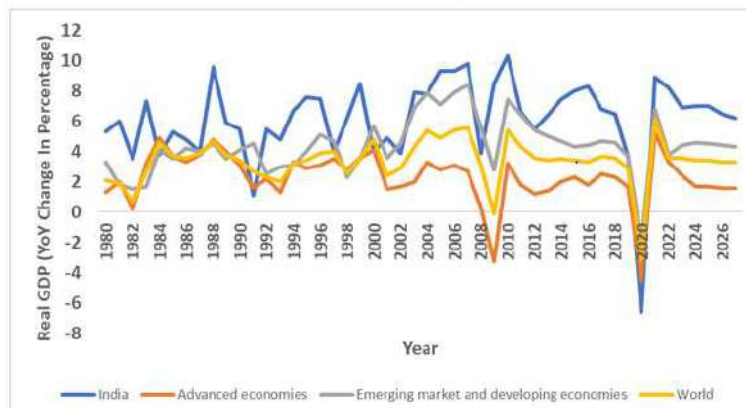
- In July 2022, France's National Assembly permitted billions of euros in new measures to assist households deal with high inflation. The proposed laws are a part of a brand new €20 billion package deal aimed toward preventing inflation.

## Indian Economic Outlook Relatively More Positive

One of the key drivers for post pandemic recovery is the increased consumer demand from countries like China and India that have a huge customer base. Import substitution policies is expected to drive investment demand in countries like India. For instance, Make in India/Atmanirbhar Bharat is anticipated to drive domestic manufacturing in India.

India has taken measures to shore up its economy in a very adverse economic and geopolitical climate. India has raised interest rates to combat inflation, and the World Bank has revised India's growth prospects downward for Fiscal 2023 to 7.5% and for Fiscal 2024 to 7.1%. However, lower corporate taxes, the production-linked incentive ("PLI") scheme and India as a potential beneficiary of supply chain diversification will catalyse and sustain domestic demand. Additional offshoring of demand especially in the electronics sector, fuelled by increasing global defence budgets and digitalisation of militaries is expected to ensure that several industry sectors in India will remain buoyant. Rising global wages in other parts of the world is also likely to enhance India's status as a destination for offshore manufacturing. Despite inflation, and an anticipated decline in consumer demand in the short term, industry and services is expected to perform well.

**India Outlook vs Rest of the Economies, GDP Forecast 1980-2026**



Note: Real GDP growth of different regions. Actual data used till 2021. Forecasts from 2022 to 2027 All IMF data are except India GDP shown for Fiscal

## **Indian Macro-economic Overview**

The GDP had contracted by 7.3% in Fiscal 2021 due to the COVID related lockdowns and restrictions. GDP growth was forecasted to exceed 9% by organisations such as the International Monetary Fund. However, the resurgence of Omicron combined with the Russian invasion of Ukraine aggravated surging inflation and supply shortages. The confluence of increasing product pricing and disruption of logistics and trade routes has resulted in growth expectations being reigned in. However, the growth is still expected to be buoyant in Fiscal 2024 due to the Indian economy being primarily driven by domestic demand of goods and services. Moreover, companies have continued to report a steady net profit to sales over the Fiscal 2023 time frame. Also, the government's capital spending share is increasing even as it is slashing revenue expenses driven by record tax collection. The Indian market has also performed exceptionally with respect to foreign exports and will continue to play a pivotal role in the economic recovery as the manufacturing sector continues to explore increasing means of resiliency and cost efficiency to combat Chinese offerings.

Last year, the Indian military purchased US\$3.5 billion in weapons from overseas through emergency and fast-track procurement authorities. India spent US\$10.73 billion of its US\$16.41 billion capital procurement fund last year on weapons from domestic defense companies. With India preparing a new list of additional banned foreign-made defense material, the "Make in India" initiative will be bolstered even further. It is expected that 25% of the US\$12 billion budget meant for the procurement of new weapons and associated equipment would go toward private sector orders during Fiscal 2023. The government also reserved 25% of its US\$800 million defense research and development budget for new R&D proposals by private industry, startups and academia for the Fiscal 2023 time period.

## **Steps Taken By Government of India**

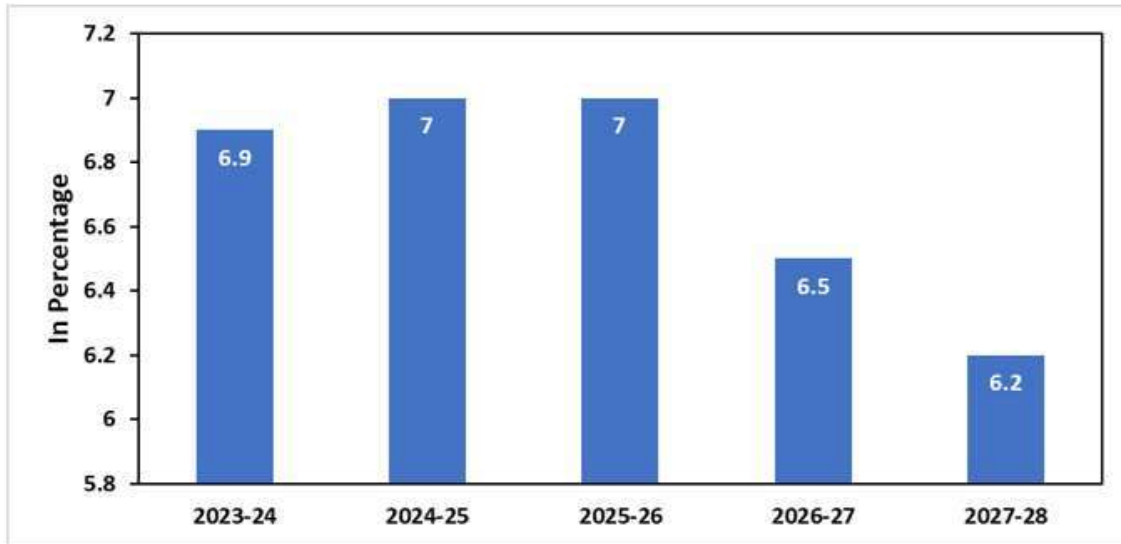
The government launched a unique and comprehensive economic package worth ₹ 20 trillion (equal to 10% of India's GDP) under Atmanirbhar Bharat initiative to combat the pandemic.

The package included deregulation of the agricultural sector, new PSU policy, change in definition of MSMEs, increased FDI limits in defence and space sector, commercialization of coal mining, Production Linked Incentive Schemes ("PLIs"), new power tariff policy, revamping of Viability Gap Funding scheme for social infrastructure and development of Industrial Land/ Land Bank, and Industrial Information System, as well as incentivizing States to undertake sector reforms.

Other steps included a one-time special festival advance of ₹ 10,000 (interest-free) for central government employees, in addition to a cash payment in lieu of the Leave Travel Concessions ("LTC") scheme. Moreover, a payment of ₹ 1.46 trillion was earmarked to boost the manufacturing of ten Champion Sectors through Production-linked incentives. Another key step was the launch of emergency credit line guarantee Scheme ("ECLGS") 2.0, and 50 year interest-free loan to states.

The Indian government is also considering spending an additional ₹ 2 trillion (US\$26 billion) in Fiscal 2022-2023 to cushion consumers from rising prices and fight multi-year high inflation. India's retail inflation rose to an eight-year high in April, while wholesale inflation rose to at least a 17-year high. The new scheme is expected to push the budget deficit for the current year to 6.8% of gross domestic product, from the originally budgeted 6.4%.

## **India Real GDP Forecast, Fiscal 2023-Fiscal 2027**



Source: IMF

The Government of India has stated recently that real GDP expanded by 8.4% in July to September 2021, 5.4% in October to December 2021 and 4.1% in January to March 2022. This is due to improvement in agriculture and manufacturing sectors. Growth has been estimated at 6.9% in 2023-2024 and 7.0% in 2024-2025, reflecting an improving investment outlook with private investment, particularly manufacturing, benefiting from the PLI plan, as well as increased infrastructure investment. In 2022-2023, Real GDP or Gross Domestic Product (“GDP”) at Constant (2011-2012) Prices in Quarter 1 of 2022-2023 is estimated to attain a level of ₹ 36.85 trillion, as against ₹ 32.46 trillion in quarter 1 of 2021-2022, showing a growth of 13.5% as compared to 20.1% in quarter 1 of 2021-2022.

### Improvement in Global Investment and Ease of Doing Business Ranking

The World Bank’s annual report on the Ease of Doing Business (“EODB”), published in 2020 placed India at 63rd position among 190 countries. India ranked at 100<sup>th</sup> position in 2018 and then moved up to 77<sup>th</sup> position in 2019. In 2020, India ranking further improved to 63rd position. The improvement in rankings is due to the Central Government’s measures such as demonetization and the implementation of the Goods and Services Tax, the successful implementation of the Insolvency and Bankruptcy Code, and the Make in India initiative, which is aimed at attracting foreign investment. The measures in turn boost the private sector, particularly manufacturing, in addition to improving the country’s total competitiveness.

## GLOBAL and INDIAN DEFENCE INDUSTRY

### Global Defence Spending

Global spending touched USD 2.07 trillion in 2021, which was an increase of 6.69% over the corresponding period in 2020. The five largest spenders, accounting for 62% of the total global spend, were India, China, United States, Russia and the United Kingdom. The rise in geopolitical tensions, such as the ongoing dispute between the US and China, was the primary driver of this surge in spending.

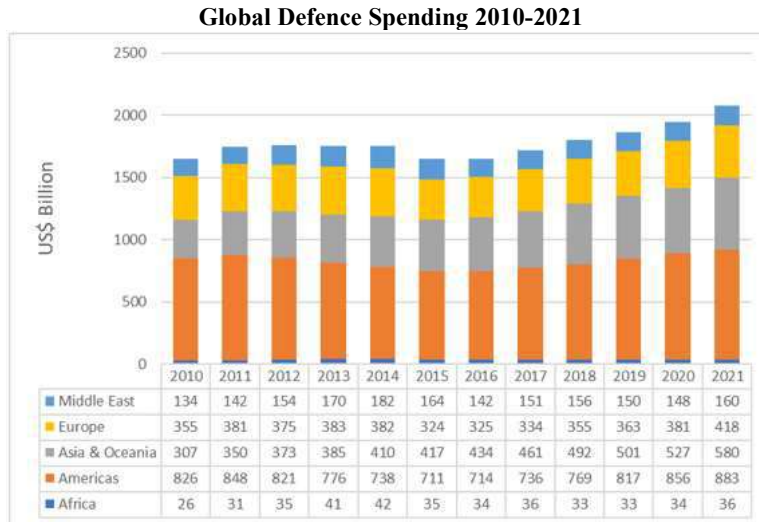
In 2021, the United States reached the highest military spending with US\$ 800 billion which constituted 38.5% of the total military spending worldwide in 2021. As of 2021, the US military expenditure accounted to 3.5% of the US GDP.

China’s military expenditure accounts for the second-highest position in the world and accounted to US\$ 293.30 billion in 2021, i.e., 14% of global military spending.

India’s military spending in 2021 was US\$ 76.6 billion (3.7% of global military spending), ranked third globally and up 5.0 % from 2020. This rise is attributed to India’s existing tensions with Pakistan and increasing border tensions with China.

In 2021, Russia’s military spending increased by 6.7 % to US\$ 65.9 billion (3.2% of global military spending).

In 2021, the Americas accounted for 42.5% of world total expenditure, while Asia and Oceania accounted for 27.9% of total global expenditure. In 2021, Europe contributed 20% of worldwide military spending, making it the third-largest spender.

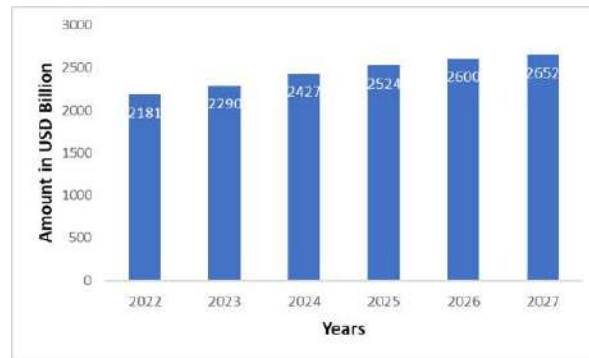


Notes: Figures for Middle East (“ME”) are estimates as noted by SIPRI. The years are calendar years.

Four of the top five spenders were permanent members of the UN Security Council, notably Russia, China, the United States, and the United Kingdom. India is a non-permanent member of the UN Security Council and is noted to be the third highest spender globally. Over the last few years, the rivalry between the United States and China has caused a paradigm shift in international affairs. It influences strategic debates as well as real-world political, military, and economic processes, and it is likely to boost military spending. Additionally, Chinese claims of territories in India, the South China Sea, and the Asia Pacific (“APAC”) increased insecurity among the affected nations. In Europe, a higher number of NATO members met the Alliance’s guideline aim of spending at least 2% of GDP on their military in 2020, compared to just nine countries in 2020. Further, spending on defence is expected to increase with the ongoing conflict between Ukraine and Russia.

In 2022, Global military expenditure has already surpassed \$2 trillion per year, and looks set to rise further as European countries beef up their armed forces in response to Russia’s invasion of Ukraine. After a brief period of declining military spending between 2011 and 2014, outlays have increased for seven consecutive years. In the wake of the full-scale invasion of Ukraine, several European governments have pledged a spending overhaul to boost their forces’ capabilities. As such this will create new demand for underlying subsystems and components such as defence electronics, cable harnesses, etc.

**Global Defence Spending Forecast: 2022-2027 (in US\$ billion)**





*Source: Frost & Sullivan Analysis*

The Global Defence spending is expected to grow at a CAGR of around 3.99% between 2022 - 2027. The expected increase is based on a review of global GDP forecasts, as well as the expectation of ongoing political tension for the next two years. Any increase in geopolitical uncertainty because of rising tensions between the United States and China, India and China, India and Pakistan, Russia and NATO, China and Taiwan, Ukraine, Israel and Palestine, is likely to result in significant upsides to the forecast.

### **Geo-Political Context**

The United States and China are becoming increasingly competitive. China's increasing military prowess is reshaping the Western Pacific power balance. As a result, the US is fortifying Pacific alliances, the most recent of which is the Australia-UK-US security pact ("AUKUS"). Russia and Turkey are shown demonstrating more competence and readiness to project influence abroad, this was evident from the S400 deal.

Economic tensions are escalating because of geopolitical conflicts. During the pandemic, Japan, and India implemented protectionist laws. Western corporations in sensitive sectors such as technology are having growing difficulties doing business in China, and Russia as well as Western countries are prohibiting investment in vital sectors from geopolitical competitors.

The Russia-Ukraine war is hitting Eastern European countries very severely. The multiple spill over effects are propelling the region to another recession, with risks of instability and insecurity. The European council granted Ukraine and Moldova candidate status and has also sent Georgia positive signals regarding membership: it should be granted candidate status once a number of priorities will have been addressed.

In the Southern Mediterranean and across the Middle East, many countries are highly dependent on Russia and Ukraine for food and energy. Disruptions of trade flows caused by Russian invasion have already put huge pressure on them. Oil and gas producing countries are of course benefiting from high energy prices but in many other, rising commodity and food prices as well as reduced subsidies combined with severe droughts in some countries, may result in catastrophic hunger among the poorest and provoke new waves of social unrest, internal displacement and migration.

The resulting ripple effects are threatening the supply of key food resources like wheat and raising the possibility of a global famine. Simultaneously, disruption to the flow of electronics, raw materials, and parts supplies emanating out of China and other locales has seriously impeded global trade positions, forcing companies to recalibrate and in some cases, wholly reconsider their long-standing supply chain and partner ecosystems.

### ***Geopolitical challenges and risks***

#### **US and Russia – Ukraine Crisis**

- A new US\$3 billion US package will send fresh military hardware to Ukraine and will allow Ukraine to acquire air defense and artillery systems, munitions and radars.
- US announced that it would send around 3,000 troops to Eastern Europe on 2nd February 2022.
- The government introduced sanctions targeting prominent Russian government officials and business leaders, luxury property of elites, and luxury asset management and service companies key to Russian attempts to evade sanctions.
- Sanctions were introduced to restrict the Russian military's ability to obtain technologies and other items it needs to sustain its aggression and project power. This effectively cuts them off from obtaining US - origin items or foreign made products derived from certain US technology or software.
- The US has barred Russia from making debt payments using the US\$600 million it holds in US banks, making it harder for Russia to repay its international loans. Russia's central bank assets have been frozen, to stop it using the US\$630 billion (£470 billion) of reserves it has in foreign currencies.
- The tensions prevailing between US and Russia are not expected to ease unless Russia reduces the 125,000 troops stationed at Ukraine border.
- The possibility of a full scale war in Ukraine has escalated the possibility of widespread energy shortages and global economic chaos.

### Disruption by China

- China is openly challenging US military supremacy in a number of areas, including state-of-the-art weaponry' like hyper-sonic technology.
- China is also threatening Taiwan, which might become a flashpoint for confrontation in 2022.

### India's border issue with China

- India's membership in the Quad continues to upset China, and China may possibly embark on fresh adventurist actions at many more sites along the Sino-Indian border, forcing India to respond.

### The Taliban's return and the consequences for India's security

- The Taliban's comeback to power in Afghanistan has resulted in a significant shift in the balance of power in India's periphery.

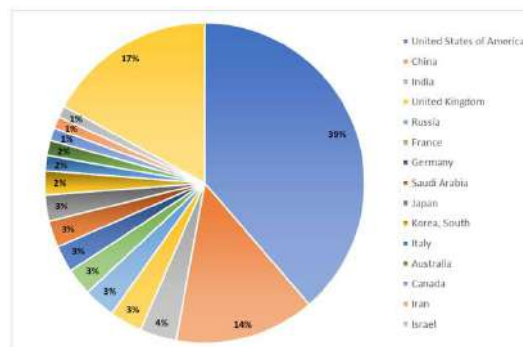
### North Korea

- North Korean weapons have the ability to reach US territories and potentially the US mainland, which is also a cause for concern.

### Middle Eastern silent war

- The unrest in Middle East is considered to have been triggered by the Arab spring, where multiple nations went into a turmoil.

### The Share of the World Military Expenditure of the 15 Countries with the Highest Spending in 2021



Source: SIPRI

SIPRI indicates India is among the top 3 largest military spenders in 2021, which accounted for 3.7 % of world military spending. The country's defence spending grew by 5% between 2020-2021. The main factors influencing the growth of the expenditure is the ongoing conflict with Pakistan over Kashmir and the standoff with the Chinese in the North.

### Israel as one of the key military spenders globally

In 2020, Israel's defence budget was approved for USD 21.7 billion, which was an increase of 5.9% above the previous year. In 2021, military spending of Israel totalled USD 17.8 billion. In 2022, Ministry of finance intends to allot a defence budget of USD 17.95 billion. This new budget will assist the Israel Defence Forces to maintain its Defence dominance in the face of escalating threats, as well as defend the State of Israel's and other government ministries' interests. India is noted to be Israel's third largest trade partner with bilateral trade in segments including IT, telecom, agriculture, and pharmaceuticals.

As of September 2019, the cumulative FDI from India to Israel was noted to be USD 118 million. Israel's direct FDI into India is noted to be USD 254.66 million. India is also noted to be the largest recipient of Israel's arms exports, accounting for roughly 43% of the total export market share between 2016-2020. India is amongst the top 3 Defence spenders in the world.

| Position in top Defence Spending | Country | Defence Expenditure in 2021 USD billion | Defence Expenditure in 2020 USD billion | Defence Expenditure as a% of GDP (2021) | Percentage of Growth over 2020 |
|----------------------------------|---------|---|---|---|--------------------------------|
| 1                                | US      | 800                                     | 778                                     | 3.5%                                    | 2.8%                           |
| 2                                | China   | 293                                     | 258                                     | 1.7%                                    | 13.6%                          |
| 3                                | India   | 76.5                                    | 72.9                                    | 2.4%                                    | 4.9%                           |

Indian Defence budget accounted to around 2.4% of the total GDP. The size of defence forces, modernization program, and the escalated border tensions are fuelling the growth in defence budget.

### **Global Defence Industry and its Trends**

*Great power competition, modernization of armed forces, and new policy changes are driving the demand for Defence products.*

#### **Great Power Competition**

The resurgence of power struggle has shifted the focus of US military force deployments around the world, putting a greater emphasis on deployments to counter Russian as well as Chinese military capabilities and less emphasis on deployments that serve other reasons.

In the Indo-Pacific area, the Department of Defence is engaged in activities aimed at competing strategically with China in the South and East China Seas. They also include a variety of activities aimed at strengthening the military capabilities of US allies in the region, particularly Australia, the Philippines, South Korea, Japan, and New Zealand.

The emergence of great power competition with Russia, as evidenced by Russia's seizure and announced annexation of Crimea in March 2014, as well as Russia's current actions in eastern Ukraine, has prompted a renewed focus in US defence planning on strengthening military capabilities to counter potential Russian aggression in Europe. Electronic warfare systems have been used by both Russia and Ukraine in recent months to locate, disrupt and jam electronic and GPS signals from weapons and drones. Although both countries have made use of the technology, Russia in particular has invested in a wide range of equipment — from tactical close-range systems to ones that can supposedly disrupt enemies dozens of kilometers away. As such chances are high that global defence expenditure post-war may go high. Recently, Germany has announced increased defence expenditure pledging 100 billion euros ( US\$113 billion) into the country's notoriously threadbare armed forces. This is going to provide the impetus to the other European Union countries that are expected to follow suit. This is going to impact Indian defence expenditure too and hence Indian government will have no choice but to increase its defence expenditure too.

#### **Modernization of Armed Forces**

The increase in defence budget has accelerated the modernization programs across countries. These are in terms of new equipment and upgradation of older equipment. The Global programs are focussed on increase of air missile defence systems and unmanned platforms in countries where their assets are relatively in the mid-life stage. In countries like India the prioritization is on modernization of air assets which includes fighters and rotary platforms. The Indian defence market has been primarily an import dependent market; however, the increased focus on self-reliance in defence is expected to create more opportunities for the domestic industry in the future.

#### **Technology Trends**

In future battles, technological superiority will become increasingly important. With the impact of new and developing technologies during the last two decades, particularly in the sectors of electronics, miniaturization, materials, and computation, warfare has already undergone rapid changes. This has had a significant impact on the creation of more adaptable systems in a variety of applications, from communications to sensors and guided weaponry.

5G, Quantum Technology and Electronic Warfare are noted to be some of the key technology trends within this market. 5G technology plays a crucial part in the future battle network with the potential to connect millions of transceivers within a given region simultaneously.

Modern warfare has made significant progress in the areas of communications, and surveillance. Military Signal Intelligence (“SIGINT”) platforms are attempting to cover the spectrum from HF to Ka band, often with a large dynamic range. Machine learning can be used to improve EW technologies. The Russia-Ukraine war is showcasing cyber and electronic warfare and their consequences for connectivity and communications. Both Russia and Ukraine have been employing cyberattacks and jamming to disrupt each other’s forces on the battlefield. The U.S. is supplying Ukrainian troops with tactical communications equipment as well as electronic warfare kit. This threat in the future will drive demand for upgrades to communication equipment and electronics.

### **Impact of COVID-19 on Defence Industry**

The defence industry is a critical sector that can withstand economic downturns. The geopolitical circumstances, political position, and national strategic plans have a larger effect on defence spending rather than the economy. The impact of COVID on the defence sector was minimal from a defence budgetary perspective, however the defence manufacturing companies did feel the pressure due to supply chain related issues.

### ***Negligible Effect of COVID-19 on Defence Spending***

Defence spending trends demonstrate that it is influenced by a variety of factors, including GDP growth, regional security climate, geopolitical challenges, technology obsolescence, and new policy changes. This is evidenced by a 2.6% increase in global Defence spending to USD 1.98 trillion in 2020. India’s defence budget has also increased in the last two years despite the COVID economic impact due increase in global and national geopolitical uncertainty because of Chinese aggression.

### ***Resilience of Defence industry***

COVID-19 has not had a considerable effect on Indian military spending. As per the Standing Committee Defence, Demand for Grants, 2021-2022 (19<sup>th</sup> Report), allocations continued to increase despite some initial COVID-19 related supply-side shocks. The industry continued to be buoyant as several high value contracts which would see significant participation from the indigenous industry, such as C-295 procurements, and additional Main Battle Tanks orders were signed. With policy changes that further greater domestic participation, and several Indian defence companies having shored up indigenous Research, Development, Testing and Evaluation (“RDTE”), the industry has been made resilient through as steady supply of orders and indigenous industry capability development.

### ***Worst of supply chain and program disruptions are behind us***

Due to the pandemic-related lockdowns, defence manufacturers experienced early supply chain and delivery delays. For instance, in 2020, due to supply chain interruptions caused by the COVID-19 epidemic, the Ministry of Defence (“MoD”) had extended the delivery period associated with existing capital acquisition contracts by four months.

### **Impact of Russia Ukraine War on Defence Industry**

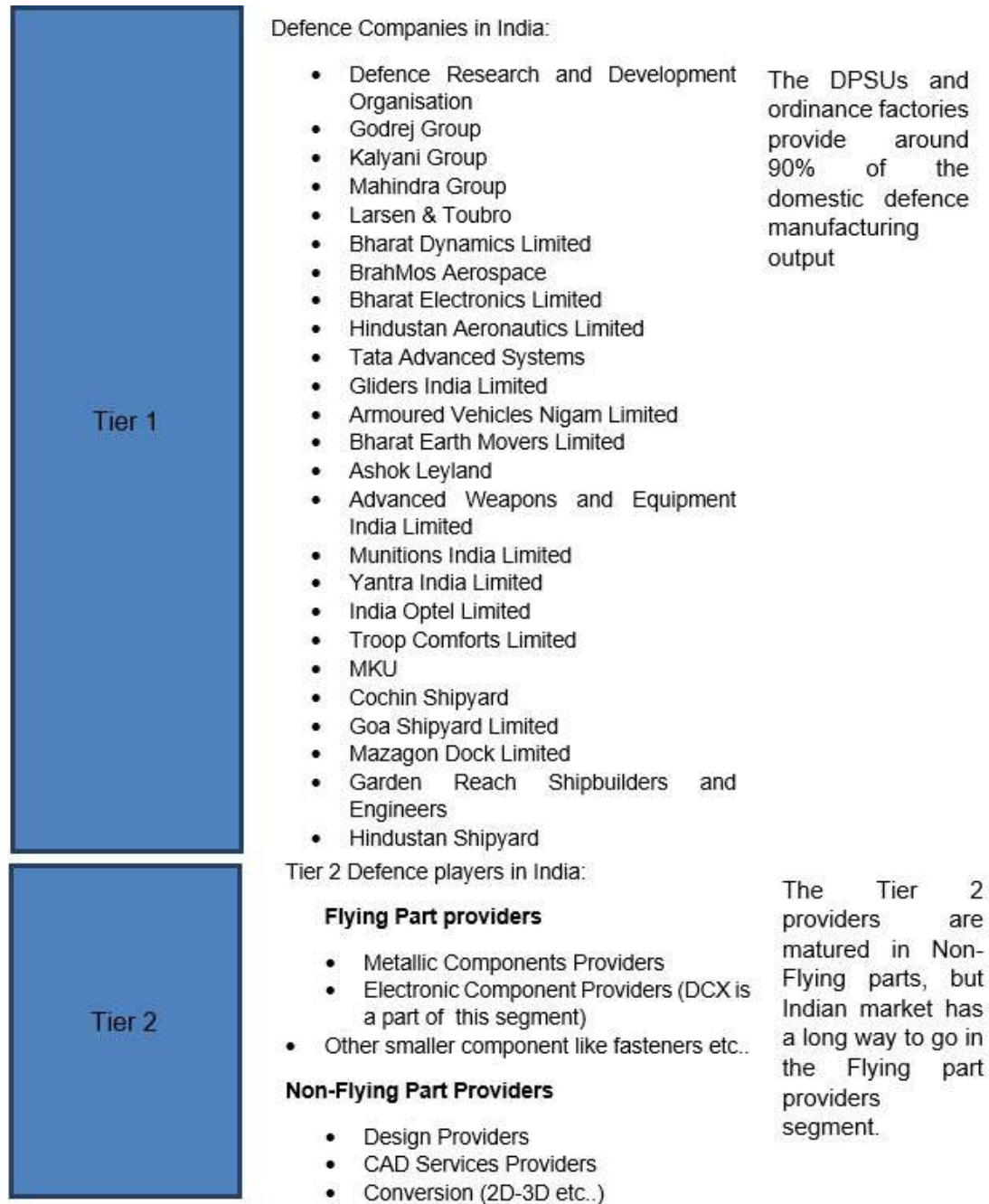
The war is having immediate effect on the defence industry with changes to military spending patterns. For decades, defense spending has been a steady, predictable business. The Ukraine war has required leadership teams to abruptly adapt their operations and strategy to a new set of priorities. NATO members in addition to other non members such as Sweden and Finland have announced broad expansion of military budgets for new procurements. In the weeks following Russia’s invasion, congress approved its largest-ever defence spending bill, while U.S. allies in Europe pledged to dramatically ramp up their defence spending to counter the Russian threat, measures that will bring lucrative new contracts to the arms industry. Germany has already pledged more than US\$110 billion into the armed forces. Poland, Sweden and Italy, have announced they will increase their defense budgets.

Even though many countries have their own defense industrial base, they don’t make everything they need themselves. So there is likely to be ample opportunities for defence electronics from contractors the world over. To modernize their armed forces for the next generation of threats, the US and the European Union (“EU”) are rethinking which technologies and systems to prioritize. In response, leading aerospace and defense companies are accelerating development of integrated and autonomous systems, precision-guided missiles and missile defense, cyber and digital capabilities, and hypersonic weapons.

## Indian Defence Industry

The Indian Defence Industry is a mix of DPSUs, large private players, and smaller but niche suppliers such as DCX. The DPSUs are a part of the Tier-1; the other major private players in Tier 1 and Tier 2 are shown in figure below. There are roughly 16 public sector undertakings under the administrative control of the Department of Defence Production, MOD.

### Tier 1, Tier 2 and Tier 3 classification for DPSUs



The DPSUs fuel the growth of Tier 2 and Tier 3 companies. Whilst the origin of Indian DPSU was tied India's ambitions to indigenize production of major defence platforms, the path taken had several drawbacks. DPSUs

were driven to cover the entire spectrum of defence manufacturing, including development of platforms, and production of all tiers of subsystems and components. This led to inefficiencies within the system and a lack of specialization, due to which India lagged behind on the development of several key “critical technologies” (jet propulsion and naval engines for example), and the development of air and land platforms. The current political dispensation seeks to address these deficiencies, by containing the focus of DPSUs to platform development, whilst leaning on several private defence companies to fulfil tier 2 and tier 3 roles. Several DRDO projects such as Design and Development of Integrated Active Circular Antenna, DSP Design for FMCW Radar, Wideband antenna and RF front end for transceiver module, etc., could lead to product production plans with a high involvement of indigenous private companies.

### ***Policy and Regulations Affecting Industry and Company***

The defence manufacturing industry in India is an integral segment of the country’s economy. With increased national security concerns, the industry is set to grow substantially. India is noted to be among the top importers of defence equipment over the last five years to gain technological advantages over competing countries such as Pakistan and China. The GOI has taken many measures to stimulate ‘Make in India’ operations through policy support programmes in order to modernize its armed forces and minimize reliance on overseas defence acquisition.

The ‘First Positive Indigenisation’ List, which includes 351 new items to be indigenised, was notified in December 2021 as part of the government’s ‘Atma Nirbhar Bharat Abhiyan’ initiative to encourage indigenization in the defence industry.

In March 2022, the MoD notified a “Second Positive Indigenisation List” of over 107 items that would be banned for import beyond the time indicated against them. These 107 products of Defence equipment should be manufactured through indigenous sources. Helicopters, Air Borne Early Warning and Control (“**AEW&C**”) systems, Next Generation Corvettes, Medium Power Radar for Mountains, Tank Engines, MRSAM Weapon Systems, and other complex systems, sensors, simulators, weapons, and ammunition are among the items on the ‘Second Positive Indigenisation List,’ which are designed to meet the needs of the Indian Armed Forces. This second list will be adopted in stages, beginning in December 2021, and ending in December 2025.

The third list was released in August 2022 to boost self-reliance and includes a fresh list of 780 components and subsystems which will only be procured from domestic industry after a ban on their import starts under a staggered timeline of around six years. The Ministry of Defence has set specific timeline for import ban of the items, spanning a period from December 2023 to December 2028. The indigenisation of these items will be taken up through different routes under ‘Make’ category of procurement procedure. The indigenous development of these LRUs, sub-systems and components is meant to bolster the economy and reduce the import dependence of DPSU’s. The decision looks to localise systems for Russian platforms like Sukhoi Su-30MKI, T-90 Tank and the Kilo-class submarines.

### ***Legal and Regulatory Framework***

| <b>Policy</b>                      | <b>Ministry of Defence</b>  | <b>All Defence and Security Related Matters</b>  |
|------------------------------------|---|--|
| <b>Legislations and Procedures</b> | Industries (Development And Regulation) Act, 1951   | Governs industrial licensing for manufacture of defence items  |
|                                    | Defence Procurement Procedure, 2016   | Governs procedure for capital acquisitions in the defence sector   |
|                                    | Foreign Direct Investment Policy and Regulations Under Foreign Exchange Management Act,1999 (“ <b>FEMA</b> ”) | Governs policy on foreign direct investment and regulations on foreign exchange  |
|                                    | Other Acts (Indian Army Act, 1950; Indian Air Force Act, 1950; Indian Navy Act, 1957)                         | Statutory provisions and supplementary rules concerning government, regulation, administration, enrolment and discipline of the Army, Air Force and Navy |
| <b>Regulators and Agencies</b>     | Department Of Industrial Policy And Promotion, Ministry Of Commerce and Industry (“ <b>DIPP</b> ”)            | Formulation and implementation of industrial policy, including the relevant FDI policies from time to time.  |
|                                    | Department Of Defence Production, Ministry Of Defence   | The primary agency dealing with the production of defence equipment in India.  |

|  |  |  |
|--|--|--|
|  | Defence Acquisition Council, Ministry Of Defence     | Responsible for the purchases to be made for the Indian defence forces.            |
|  | Defence Offsets Management Wing, Ministry Of Defence | Review the post contract status of all the offset agreements entered into by IOPs. |

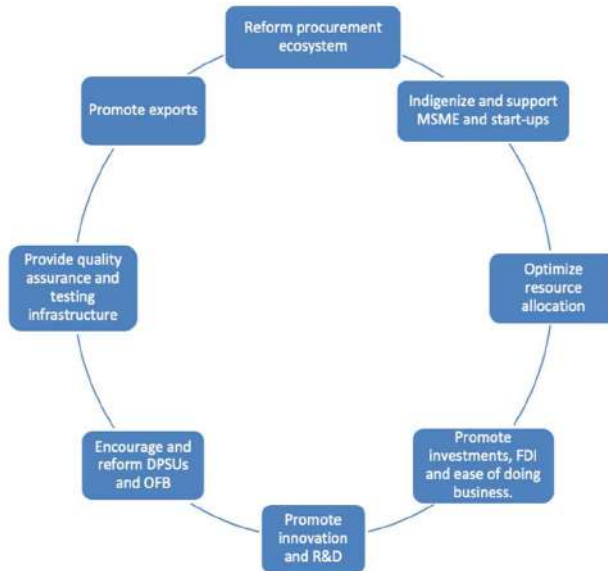
The FDI policy in the defence sector was increased from 49% to 74%. Some of the key developments in the policy are noted below:

1. The FDI in the defence sector is subject to scrutiny on the grounds of National Security and the GOI reserves the rights to review foreign investment.
2. Through the liberalised FDI policy, the government plans to attract foreign players to set up manufacturing units in India.
  - The Indian Defence segment plans to achieve a turnover of ₹ 1.75 trillion. Exports worth ₹ 350,000 million are aimed by the year 2025.
  - In 2019, the total defence industry in addition to aerospace and shipbuilding sector was estimated to hold a total net worth of ₹ 800,000 million.
  - The government has adopted the Defence Production and Export Promotion Policy 2020 (“**DPEPP 2020**”) that aims to propel indigenous defence production in India and increase exports.
  - The government has also adopted a negative imports list for defence equipment. It consists of a list of equipment which will not be imported into the country. The objective was to reduce the defence import bill.
  - The GOI has also inaugurated two defence industrial corridors in both Tamil Nadu as well as Uttar Pradesh to drive the “Make in India” initiative.

**Regulations and Licensing Standards for the Indian Defence Sector**

The DPEPP 2020 reforms outline the quality standards imposed on defence production as well as exports. The policy lists goals including increasing the competitiveness of the Indian defence sector by propelling the dynamic and robust production. The aim of the DPEPP 2020 reforms is aimed at reducing imports dependence in India thus furthering the agenda for Atmanirbhar Bharat. India’s present import reliance is noted to be 15% of the global market value. The Defence Production and Export Promotion Policy 2020 is based on 8 pillars, i.e.

**Pillars of Defence Production and Export Promotion**



Increasing the market share for Indian Intellectual property and promoting R&D within the Indian defence infrastructure are also some of the objectives to be attained via the DPEPP 2020 reforms. The OFB and DPSUs proposal is poised to address issues concerning with major source delay and stagnation in the manufacturing domain.

### ***Barriers to Entry***

The high levels of investment and access to the existing intellectual property, as well as the unique and bespoke facilities occasionally required, can create significant barriers for entry to new providers. This can make securing value for money and encouraging innovation difficult, as well as limiting the opportunity for serious competition at the top level.

**Public Sector Driven-** India has four companies including Indian ordnance factories, Bharat Electronics Limited (“**BEL**”), Hindustan Aeronautics Limited (“**HAL**”), and Bharat Dynamics Limited (“**BDL**”) among the top hundred popular arms producers of the world. These four companies are all government-owned and account for most of the domestic arms demand. Public policy was initially skewed towards public participation in defence, which led to DPSUs monopolizing several verticals of defence production and development. Their control over supply chains and reluctance to outsource used to be a major drawback for private players entering the industry (Note that this is poised for a major change with private sourcing a key policy feature of current defence policies).

**Requirement of Key Technology Capabilities:** Indigenous manufacturing is hampered by a lack of design capability in crucial technologies, insufficient R&D expenditure, and the inability to manufacture major subsystems and components. The interaction among production agencies (public or commercial), R&D, and end-users is poor. Several capabilities were monopolized by the DPSU, which hindered development of private R&D and innovation in defence.

**Long Gestation Period:** The establishment of a manufacturing base requires significant investment in both capital and technology, as well as a lengthy gestation time. It could take five to ten to even fifteen years for a factory to reach optimum levels of capacity utilisation by the time a unit begins production. More than 200 defence purchase proposals with a transfer of technology provision have been approved by the GOI over the last five years, with a total value of around ₹ 4 trillion. Most of them are now in the early stages of processing. The long gestation period would require a strong financial backing for any new entrant.

### ***Indian Market Industry – Brief***

The MOD has undertaken some measures to promote India’s “Make in India” defence manufacturing agenda. Foreign direct investment (“**FDI**”) limitations in the defence sector have been lifted to 74%, up from 49% 2020. 68% of capital procurement budget under the Union Budget 2022-2023 to be earmarked for domestic industry to promote self-reliance and reduce import dependency. The Defence Procurement Procedure (“**DPP**”) 2016 has been revised to form the Defence Acquisition Procedure (“**DAP**”) 2020, which is focused on increasing Indian defence sector self-reliance.

The government is actively encouraging the involvement of the private sector in defence acquisition to allow the domestic industry to manufacture high-tech weapons and equipment. The MoD established the Innovations for Defence Excellence (“**iDEX**”) awards in April 2018, and they are an important step toward creating an environment that fosters research, innovation, and technological development. MSMEs, research and academic institutions, and start-ups have been given an opportunity by iDEX to contribute innovative solutions to the armed forces.

### ***Technology Trends and R&D***

As the Indian military move towards increased situational awareness, stealthier operations, and more lethal weapon systems, several major trends govern the nature of defence equipment related demand.

- Expanding Chinese Electronic Warfare capabilities are a concern to India. China has demonstrated GPS jamming capabilities over the past few years. The demand for jam resistant communication and situational awareness solutions is thus on the rise.
- Economic pressures are driving many commercial and governmental operators within the military toward purchase of Commercial off the Shelf (“**COTS**”) products. These products have a favourable cost-to-performance ratio. Militaries are finding it difficult to improve the capability of its existing systems by relying solely on evolutionary upgrades achieved through its standard practices which they were not designed for. Advances in COTS hardware are thus enabling new opportunities for a hardware support model that facilitates continuous deployment of warfighting capabilities.



- Several countries are in the process of modernizing their armed forces by improving the capability of their dismounted soldiers with improved situational awareness solution including blue force tracking capabilities. Increasingly these modernization programs have a requirement for the integration of tactical unmanned solutions that can extend the forces intelligence capabilities.
- Maintaining connectivity links whilst on the move as part of maneuver brigade operations is driving the adoption of based tracking and communication capability as a norm in many nations.

India and Israel have teamed up to develop cutting-edge defence technology such as artificial intelligence, drones, and robots. The Bilateral Innovation Agreement was signed between Israel’s Directorate of Defence Research and Development (“**DDR&D**”) and India’s Defence Research and Development Organisation (“**DRDO**”). Continuous development in technology disruptions and receiving orders for producing indigenous military products will boost Indian Defence production capabilities.

### Effect of Geo-Politics on Indian Defence Spending

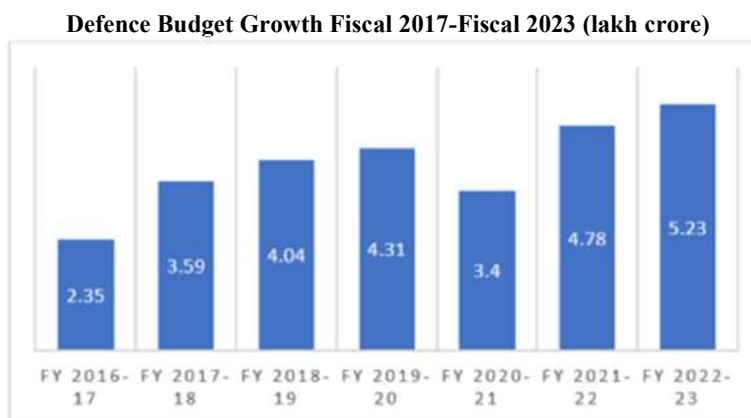
The constant tensions amongst India and its bordering countries have acted as a major drive for increase in Indian Defence spending. The border confrontation with China compelled India to purchase smart air-to-ground weapons, rockets, missiles, GPS-guided artillery ammunition, air Defence systems, and assault rifles at a faster rate. Moreover, in 2020, India imported weaponry from the US, France, Russia, and Israel. According to the ministry, the capital budget allocation increased by 18.75% in Fiscal 2020-2021 and 12.6% in Fiscal 2021-2022.

Tensions associated with military conflicts between nuclear armed neighbours owing to the conflicts in Kashmir have increased the threat of terrorist action by Pakistan based militant troops. The GOI has abrogated to abolish Article 370 of the Indian constitution which removes Jammu and Kashmir’s special status, in August 2019, followed by the deployment of several army and paramilitary forces to the region.

Before the Russia Ukraine war, India was navigating a difficult geopolitical landscape with the Chinese threat. Russia has been a source of strength in Indian military and foreign policy, but the war in Ukraine has diminished Russia. It has brought China and Russia closer, which is problematic for India. A 2020 report estimated that 90% of defence equipment, weapons and platforms presently used by the Indian Army had originated from Russia. Nearly 86% of the defence equipment currently in military service in India had origins in the former Soviet Union. As such the Indian military cannot fully operate effectively without Russian-supplied equipment and will continue to rely on Russian weapons systems in the near and middle term. However, in the last decade, its reliance on Russian weapons has reduced and it has gradually bought more equipment from other countries, noticeably from France, but also from Israel and the US and, to a lesser extent, the UK.

### Indian Defence Budget Brief and Forecast

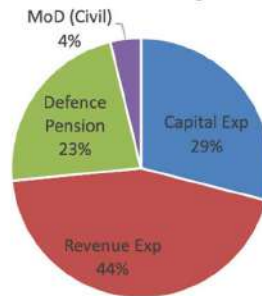
India’s Defence budget outlay for the financial year 2022-2023 is ₹ 5.25 trillion the annual budget representing a 10% increase over the budget of ₹ 4.78 trillion in 2021-2022. The Indian Defence Budget has experienced a CAGR of 14.3% between the period Fiscal 2017 to Fiscal 2023.



Note: Value of Defence budget in ₹ lakh crore

The defence budget has 4 main components: MoD (Civil), Capital Outlay on Defence Services, Defence Services Revenue and Defence Pensions, and not all of it is available to the defence industry participants. Examination of the allocation for different code heads for defence budget of Fiscal 2023 ( ₹ 5.25 trillion), and their description is as below:

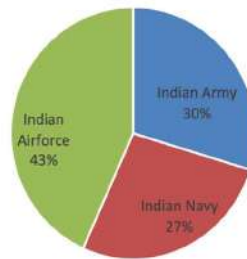
### Fiscal 2023, Defence Budget Breakdown



Source: <https://www.livemint.com/budget/news/budget-2022-rs-5-25-lakh-cr-allocated-for-defence-focus-on-domestic-players-11643717126430.html>

### Capital Outlay Indian Defence Spending Across Forces

#### Defence Budget Capital Outlay Across Forces Fiscal 2022-2023



Source: [www.idsa.in](http://www.idsa.in)

#### Capital Outlay Allocation Across Forces (In ₹ million)

| Capital Outlay ( ₹ million) | Fiscal 2022-2023 | Fiscal 2021-2022 | YoY Growth   |
|-----------------------------|------------------|------------------|--------------|
| Indian Army                 | 320,150          | 364,810          | (12.24)%     |
| Indian Navy                 | 475,900          | 332,530          | 43.11%       |
| Indian Airforce             | 555,860          | 532,140          | 4.46%        |
| <b>Total Outlay</b>         | <b>1,351,910</b> | <b>1,229,480</b> | <b>9.05%</b> |

Note: Source: Ministry Of Defence

The capital outlay for Indian Army has witnessed a reduction of around 12% compared to the previous fiscal. In the previous Fiscal Indian Army could spend ₹ 253,777 million as compared to the allocated budget of ₹ 364, 810 million. The modernization programs across the Indian Army have been slow especially because of policy paralysis on way forward for several high value programmes such as the Boyevaya Mashina Pjehoty (“BMP”) replacements.

The capital outlay for Indian Navy experienced a 43% increase owing to the threats in the Indian Ocean Region (“IOR”). Indian Navy was able to spend around 90% of the capital outlay allocation for the previous fiscal, which is the highest amongst the three forces. The Indian Air Force retained the largest share of the capital outlay accounting to around 43%, and grew at 4.5% compared to the previous fiscal.

## Modernization drive in India including Major programmes of the Indian Army, Navy and Air Force

India has begun a comprehensive military modernization program that includes the purchase of new rifles, combat aircraft, ammunition, carbines, and artillery, rotary-wing aircraft, and force multipliers such as electronic warfare suites, network-centric warfare, and air-Defence systems, among others.

Military modernization programs are poised to account for US\$ 130 billion in the coming five years. The Indian Army has lagged in terms of modernization, and numerous projects are planned to be completed in the coming three to seven years. The Abhay Infantry Fighting Vehicle (“**IFV**”), Arjun MKIII, and TATA Kestrel are the three key indigenous defence platforms being developed by the Indian Army. At present, the T-72 and the T-90 tanks, both procured from Russia and assembled in India, are the mainstay of the Indian Army. However, chunk of this arsenal consists largely of T-72 tanks which have lived their life and are under the process of being upgraded extending their life till 2022. A request for information was sent to 12 Main Battle Tank manufacturers to acquire 1,700 with partly local production to replace the T-72 tank. Additionally there is a RFI by the Indian Army on 23 June 21 for 1750 FICV (Tracked) in line with the Defence Acquisition Procedure (DAP)- 2020, under the ‘Make in India’ and ‘Atmanirbhar Bharat’ programs to replace the BMP-2. For air operations, 36 Rafale fighter jets were recently purchased, with intentions to purchase another 100 fighter jets under the strategic partnership concept. This is in addition to the 83 indigenous Tejas Mk1 A aircraft that will be purchased. Boeing has recently completed procurement of AH-64 Apache and Chinook helicopters for the IAF and Army. India’s new aircraft carrier will be equipped with MiG-29K fighter jets. However, the Indian Navy is already hunting for multi-role naval fighters for INS Vikrant with the navy being interested in procuring a twin-engine aircraft. At present Boeing’s F/A-18E/F Super Hornet and Dassault’s Rafale-M are being considered.

By 2035, the Indian Air Force aims to have 42 squadrons and deploy 450 fighter jets at Pakistan’s and China’s borders, respectively. The Indian Air Force will also acquire a large number of stealthy swarm drones (ALFA-S), autonomous unmanned aerial vehicles (DRDO AURA), and unmanned aircraft to transition into a fully advanced Network-Centric Force capable of sustained multi-role operations throughout the spectrum. The Indian Fleet has 43 vessels under construction as of 2020, including corvettes, aircraft carriers, frigates, destroyers, and conventional and nuclear-powered submarines, with a goal to develop a powerful navy of 200 vessels and 500 aircraft by 2050.

DCX works with space organisations like Indian Space Research Organisation, research organisations like Defence Research and Development Organisation, Indian Defence forces (Army, Navy and Air Force) and PSUs – Bharat Electronics Limited, Bharat Dynamics Ltd, Hindustan Aeronautics Limited and Mazagaon Dock yard Limited, Ordnance Factory Board. The modernisation programs of Indian Air Force, Indian Navy, and Indian Army as listed below could be expected to enhance the revenue opportunities for companies like DCX:

### Indian Naval (“IN”) Programmes

| IN Programs              | Description  | Effect on Private Industry   |
|--------------------------|--|--|
| Aircraft Carrier Program | <ul style="list-style-type: none"> <li>The refitted and modernised former Russian ICBM Admiral Gorshkov, commissioned as INS Vikramaditya, is the sole aircraft carrier engaged in flying operations with MiG 29K fixed wing fighter. The modernisation has added a new dimension to the capabilities of the Indian Navy.</li> <li>The construction of a 37,500 tonne Indigenous Aircraft Carrier (IAC-1) is underway and set to be commissioned as INS Vikrant. INS Vikrant will have a combination of 30 aircraft, which includes MiG-29K fighters and AEW helicopters (e.g., Kamov Ka-31).</li> </ul> | INS Vikrant is the first carrier which has been built indigenously, and has benefited the entire supply chain. The likely commissioning of IAC 2 will have an even higher indigenous component, including defence electronics which will benefit the public sector shipbuilding units and private industry like L&T. |
| Projects 17 and 17A      | <ul style="list-style-type: none"> <li>Mazgaon Dock Shipbuilders Limited (“<b>MDL</b>”) has commissioned 4 ships of Project 17 stealth frigates that are capable of carrying 2 advanced multi-role helicopters.</li> </ul>   | The Indian navy programs have achieved a significant level of indigenisation and manufacturing by DPSUs. This bodes well for the   |

| IN Programs                       | Description   | Effect on Private Industry   |
|-----------------------------------|---|--|
|                                   | <ul style="list-style-type: none"> <li>The 7 stealth frigates with advanced features and technology upgrades are a part of the Project 17A programme.</li> </ul>  | entire defence industry associated with the naval programs   |
| Projects 15A and 15B              | <ul style="list-style-type: none"> <li>Project 15A involves the construction of additional Delhi-class guided missile destroyers that have stealth and advanced features.</li> <li>Project 15 B involves similar calls of ships and will be constructed by MDL.</li> </ul>  |  |
| Project 1135.6-Talwar Class       | <ul style="list-style-type: none"> <li>INS Tej, Tarkash, and Trikand were commissioned as Talwar Class stealth frigates with the replacement of Klub missiles with the BrahMos system.</li> </ul>   |  |
| Project 28 ASW Corvettes          | <ul style="list-style-type: none"> <li>GRSE, Kolkata has indigenously designed and built 4 stealth Anti-Submarine Warfare (“ASW”) corvettes with minimised radar profiles for stealth capability.</li> </ul>  |  |
| Carrier Borne Multi Role Fighters | <ul style="list-style-type: none"> <li>The 4th generation MiG-29k is now the flagship fighter of the air wing of INS Vikramaditya. Initially, MiG-29K and the naval version of the Tejas were considered for the air wing of the under-construction IAC-1, Vikrant. However, the Indian Navy has begun the search for a Multi-Role Carrier Borne Fighter (“MRCBF”) for IAC-1.</li> <li>Global manufacturers have responded to the RFI put out by the Indian Navy, answering questions on technical parameters, level of indigenisation and ToT agreements. Dassault, SAAB, MiG, Boeing, and Lockheed Martin were some of the manufacturers that have been served with the RFI to equip IAC-1, Vikrant, and IAC-2.</li> <li>The aircraft under consideration are Rafale M, F/A-18 Super Hornet, and MiG-29K are twin jet engines, and Gripen is a single engine option.</li> </ul> | Neutral impact as the deal is slated for direct buying from foreign OEMS   |
| Maritime Patrol and Recon         | <ul style="list-style-type: none"> <li>Boeing’s Poseidon P-8I, Long Range Maritime Reconnaissance and Anti-Submarine Warfare Aircraft (“LRMR” and “ASW”) has been inducted.</li> <li>With an inventory of 12 P-8I aircraft, the Indian Navy is considering the possibility of acquiring 12 additional aircraft.</li> <li>The gap between surveillance and reconnaissance has been separated into Medium Range Maritime Reconnaissance (“MRMR”) and Short Range Maritime Reconnaissance (“SRMR”).</li> </ul>   | Neutral impact as the additional acquisitions are likely to be sourced from foreign OEMs   |
| Shallow Water ASW Crafts          | <ul style="list-style-type: none"> <li>Induction of 16 shallow water ASW crafts has been processed, and the ships will be built indigenously.</li> </ul>  | The Indian defence shipbuilding is undergoing a transformation with a remarkable increase in capability and program fulfilment. Indigenous shipbuilding would also increase opportunities in C4ISR |
| Amphibious Capability             | <ul style="list-style-type: none"> <li>The Indian Navy, to augment its amphibious capability, has inducted the Landing Platform Dock (“LPD”), with 5 landing</li> </ul>   |  |

| IN Programs         | Description  | Effect on Private Industry   |
|---------------------|--|--|
|                     | <p>ship tanks and a sealift capability of more than 3,500 troops.</p> <ul style="list-style-type: none"> <li>Multi-role landing platform docks are being considered with private shipyards, such as L&amp;T and Reliance Naval and Engineering Ltd., in the running for the contract.</li> </ul> | <p>systems, heavy engineering, and EW which will benefit companies like Astra Microwave, L&amp;T, DCX and Paras Defence and Space Technologies Ltd</p> |
| Fleet Support Ships | <ul style="list-style-type: none"> <li>The Indian Navy has exercised the option for one follow-on ship offered in the 2008 order for fleet tankers from the Italian shipbuilder Fincantieri.</li> <li>The government has also approved the induction of 5 fleet support ships.</li> </ul>        |  |

### Indian Air Force (“IAF”) Programmes

| IAF Programs                                 | Description  | Effect on Private Industry   |
|--|--|--|
| Advanced Medium Combat Aircraft (AMCA)       | <ul style="list-style-type: none"> <li>The HAL Advanced Medium Combat Aircraft (“AMCA”) is a fifth-generation fighter aircraft development programme. The design agency will be DRDO, and a private industry participant is expected to be hired in the early stages on in the programme. In comparison to previous projects, the inclusion of a private industry participant is a significant change. A total of four prototypes are planned, with the first flight scheduled for 2024-2025.</li> <li>Since the withdrawal from the Indo-Russian Fifth Generation Fighter Aircraft (“FGFA”) programme, this is India’s only 5th generation aircraft programme.</li> </ul> | <p>AMCA is conceived as a public-private partnership. The early involvement of private business contrasts with the previous model, in which DPSUs were solely responsible for product design and manufacture. The modification is expected to benefit all supply chain stakeholders who participate in the programme. Participation in futuristic programmes such as AMCA will also improve the competence of the home sector.</p> |
| Tejas Mk I A Light Combat Aircraft (LCA)     | <ul style="list-style-type: none"> <li>The Cabinet Committee on Security (“CCS”) cleared the purchase of 83 LCA MK I A (LCA-Tejas) in a deal worth ₹48,000 crore (approximately \$7 billion) from the state-run Hindustan Aeronautics Limited (“HAL”). This is the biggest-ever contract awarded to HAL till date. The order comprises 73 fighters and 10 trainers in the next 5 years. The MK 1 A includes upgrades to the Fire Control Radar, EW system, and overall has 40 modifications over and above LCA MK I. This is in addition to initial order of 40 LCA Tejas MK I that am under delivery.</li> </ul>  | <p>Private industry players which are a part of Tejas supply chain will also have a higher probability of being a part of future upgrades. For e.g. companies like Apollo Microsystems and DCX are likely to benefit from the program.</p>   |
| Medium Multi-Role Combat Aircraft Global RFI | <ul style="list-style-type: none"> <li>India issued an RFI for procuring 110 fighter aircraft, a program which is often dubbed as MMRCA 2. Six global aviation majors having responded to the RFI for the program.</li> <li>The six firms involved in bidding for the contract are Boeing (F 18 and F 15), Dassault (Rafale), Lockheed Martin (F 21), Saab (Gripen), Eurofighter (Typhoon), and Russia United Aircraft (MiG-35).</li> </ul>  | <ul style="list-style-type: none"> <li>The opportunity impact on Indian private industry will be significant as the program is slated for Make in India. Indigenous companies like DCX, TATA, and L&amp;T are likely to have significant revenue opportunities in the program</li> </ul>   |

| IAF Programs          | Description   | Effect on Private Industry   |
|-----------------------|---|--|
| LCA Variant           | <ul style="list-style-type: none"> <li>After the current acquisition of 83 MK 1 a, there are further plans of inducting around 80 LCA Mark II.</li> </ul>   | <ul style="list-style-type: none"> <li>Increased revenue prospects for the private sector, as future variations will contain more indigenous content, and companies like DCX, which was mentioned earlier, will benefit from being first to market.</li> </ul>   |
| MiG -29 and SU-30 MKI | <ul style="list-style-type: none"> <li>After the face off with China, India declared an emergency purchase of 21 MiG -29 and 12 SU-30 MKI from Russia. The MiG -29 are the existing airframes with Russia and the same will be upgraded to meet the same specifications of the current MiG 29 inventory. The SU-30 MKI order is to augment the loss of aircraft which India has suffered in the past due accidents and incidents.</li> </ul>  | <ul style="list-style-type: none"> <li>Initial impact for private industry will be low; however increased opportunities in future as aircraft fall due for Maintenance Repair and Overhaul (“MRO”) since it is carried out in India. Future upgrade programs of SU-30MKI will likely involve players from defence electronics such as Tata Advanced Systems Ltd, L&amp;T and DCX.</li> </ul> |
| AEW&C Aircraft        | <ul style="list-style-type: none"> <li>The IAF currently operates IL 76 equipped with Phalcon radar and DRDO Netra aircraft, which uses ERJ 145 as the base platform. The total inventory of around 6 aircraft is woefully short of IAF’s requirement.</li> <li>In December 2020, the DRDO was cleared to modify 6 A320 from the national Indian carrier fleet for AEW role. The planned AEW equipment will be an advancement of the existing Netra radar. The program cost is expected to be \$1.5 billion.</li> </ul> | <ul style="list-style-type: none"> <li>The expansion of AEW aircraft program will benefit a host of supply chain constituents.</li> </ul>  |
| Transport Aircraft    | <ul style="list-style-type: none"> <li>The C 295 program, a joint Tata and Airbus effort, is envisaged to manufacture 56 aircraft in India at a cost of \$2 billion.</li> <li>Additionally, the AN-32 modernisation program will also be a part of the IAF’s plans during the period.</li> <li>The later part of the decade is likely to see an initiation of a new program to acquire medium aircraft for phased replacement of An-32.</li> </ul>  | <ul style="list-style-type: none"> <li>Besides Tata, which is the JV partner, supply chain constituents are likely to benefit from the program. in India</li> </ul>  |

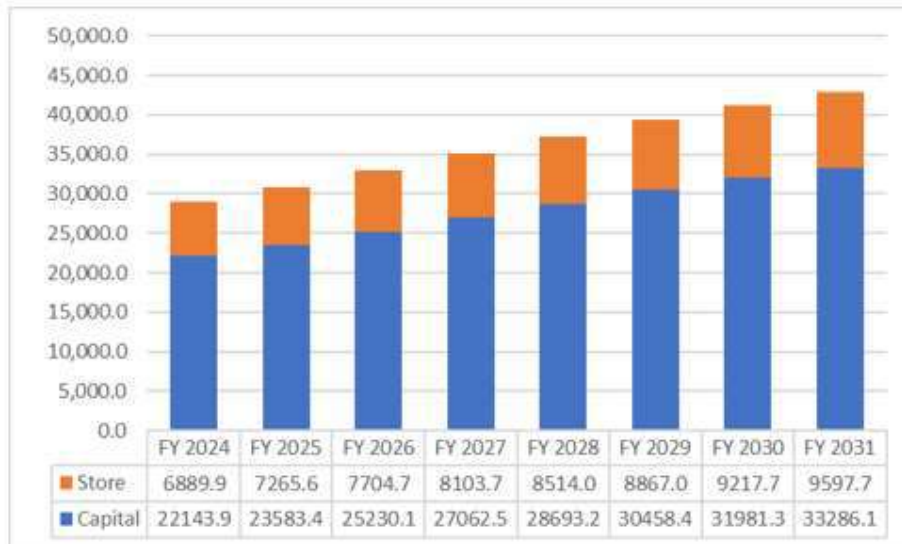
#### Indian Army Programmes

| IA Programs             | Description  | Effect on Private Industry   |
|-------------------------|--|--|
| Network-centric Warfare | <ul style="list-style-type: none"> <li>Phase 1 of Shakti Artillery, Combat, Command and Control Systems (“ACCCS”) is completed, with 40% of artillery units equipped with advanced networks.</li> <li>Tactical Command Control Communication and Information (Tac C3I) systems and Battlefield Surveillance System (BSS) are in the final test phase. EWS, Electronic Signals Intelligence (“ELINT”), and Air Defence Control and Reporting System (“ADC&amp;RS”) are in the process of development. Bharat Electronics Limited and the Defence and Research Lab at the Centre for AI and Robotics (“CAIR”) are</li> </ul> | <ul style="list-style-type: none"> <li>The C3I and Air Defence systems will require a multitude of surveillance and tracking radars which will benefit players like L&amp;T, and Tata. Increase in contracts for private players would potentially benefit DCX in terms of wiring and harness orders.</li> </ul> |

| IA Programs                       | Description  | Effect on Private Industry  |
|-----------------------------------|--|---|
|                                   | <p>developing these systems, and it will take 3-to-4 years to for induction of these systems.</p> <ul style="list-style-type: none"> <li>The Indian Army also continues to acquire other required elements such as UAVs, weapon locating radars, thermal image intensifiers, night vision systems, and Long-Range Reconnaissance and Observation System (“LORROS”).</li> </ul>   |   |
| Armour, Artillery and Air Defence | <ul style="list-style-type: none"> <li>The Armoured Corps and Mechanised Infantry deployed in the mountains need reinforcement. Roads have been upgraded so that the T-72 tank and the BMP-2 can be deployed in Ladakh. There is a need to procure a light tank for mechanised forces. A prototype based on the BAE System Combat Vehicle 90 is being evaluated by the DRDO.</li> <li>T-72 tanks are being upgraded with night vision devices. The indigenous Arjun tank, heavier than the T-90, has a 120 mm gun that can fire APFSDS, HEAT, High Explosive and HESH and the LAHAT missile, which is a semi active laser homing missile with an 8 km range.</li> <li>In 2019, the 155 mm Dhanush, Howitzer M-777, and the 155 mm self-propelled Vajra were inducted. The long-range Pinaka missile could be inducted in 2022 with user trials underway.</li> <li>Arjun Mk II is undergoing trials with about 75 modifications.</li> <li>With 700 BMP-1s in active service, an upgrade is planned for 1,600 BMP-2s with a more powerful 350 HP engine.</li> <li>Trials for Precision Guided Munitions are being undertaken for artillery upgrades. The Hypersonic BrahMos missile is expected to be inducted by 2022.</li> </ul> | <ul style="list-style-type: none"> <li>A wide range of equipment acquisition programs spanning combat vehicles, tanks, artillery guns, and missiles are being pursued to upgrade the IA operational capability.</li> <li>The programs would include significant components of electronics, COMINT and SIGINT. This in turn serves as an opportunity for electronic component manufacturers like DCX.</li> </ul> |
| Drones                            | <ul style="list-style-type: none"> <li>DAC have approved the procurement of new swarm drones, Guided Extended Range Rocket Ammunition, Area Denial Munition Type I and Infantry Combat Vehicle.</li> </ul>   | <ul style="list-style-type: none"> <li>The programs would include significant components of electronics serving as an opportunity for electronic component manufacturers like DCX.</li> </ul>   |

### Forecast Defence Spending in India

#### Defence Spending Forecast, US\$ million



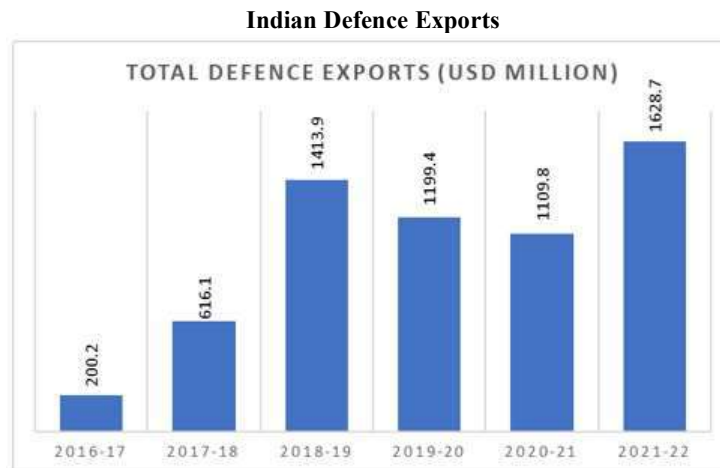
Source: Frost & Sullivan Analysis

The capital and stores allocation are expected to expand to US \$ 33.28 billion and US \$ 9.59 billion, respectively by Fiscal 2031. The CAGR for capital allocation is noted to be 6.00% and the CAGR for store allocation is 4.85% over the Fiscal 2024 to Fiscal 2031 time frame. Defence electronics and the weapons segment are expected to witness a major uptick in acquisition, since the Indian Forces have been upgrading their network centric capability and operational engagement.

### Defence Exports of India

Due to the relaxation of export limitations and policy changes, Indian defence exports are expected to rise rapidly. This is supported by the expanding capabilities of Indian defence suppliers. In comparison to defence public sector entities, the private sector now dominates Indian defence exports, which is expected to drive income prospects. Organizations such as DCX are well positioned to capture the growth in Aerospace and Defence exports.

In a report published by India Brand Equity Foundation (“IBEF”) in November 2021, the GOI has set a target for US\$ 25.00 billion for defence production by 2025. It includes US\$ 5 billion in exports. In the next five years, India aims to export military hardware products worth US\$ 5 billion. Additionally, the value of India’s defence exports in Fiscal 2020 was US\$ 1,231.9 million and this moderated to US\$ 771.8 million in Fiscal 2021. A dip in the exports for the year 2020-2021 is largely attributed to manufacturing disruptions and supply chain which have eased now. The defence exports from Fiscal 2017 to Fiscal 2022 are shown below:

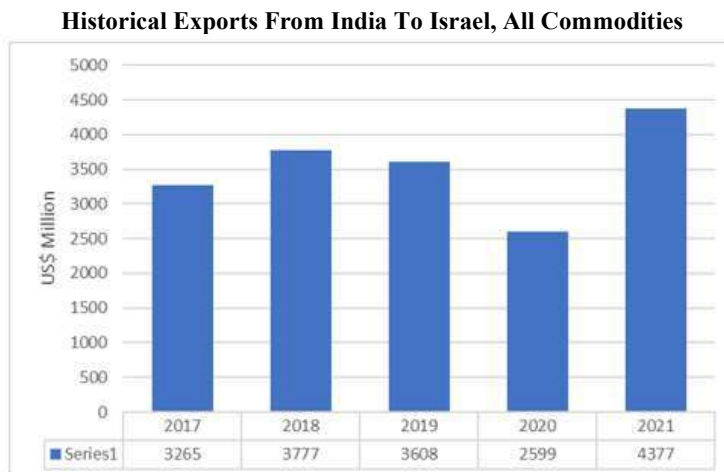


Note: The CAGR for Exports is noted to be 52.08% between Fiscal 2017 to Fiscal 2022.



Export target countries are South Africa, Thailand, Azerbaijan, Singapore, Sweden, Seychelles, Indonesia, Estonia, The Philippines, Guinea, Lebanon, Qatar, Iraq, Uruguay, Ecuador, Japan, Egypt, The US, Finland, Australia, France, Germany, the Netherlands, and Israel.

### Historical Exports to Israel



Source: Indian Ministry of Defence

The CAGR for the exports from India to Israel between the years 2017-2021 is noted to be 7.6%. For the year 2020, the exports value witnessed a moderation owing to supply chain disruptions caused by the pandemic.

### Indigenous Industry Drivers

The Indian Aerospace and Defence segment is expected to account to around USD 70 billion by the year 2030. The overall growth of this market is steered by the increased investment in modern infrastructure and government’s efforts to drive indigenous development of aerospace and defence products. Between 2016-2020, the defence manufacturing sector grew at a CAGR of 3.9%. India’s defence manufacturing sector recorded increased production to US\$ 11.85 billion in Fiscal 2022 from US\$ 10.9 billion in Fiscal 2021.

Government’s present objective is to enhance the value of defence production to USD 25 billion by 2025. An additional exports target of USD 5 billion has also been set by the GOI. In Fiscal 2020-2021, it was noted that the defence exports moderated by 60% to USD 771.76 million from USD 1231.89 million (Fiscal 2019-2020), this was due to pandemic related delays.

The Indian Defence private sector has also witnessed a substantial growth owing to the instating of government reforms. In Fiscal 2021-2022, 2020-2021 and Fiscal 2019-2020, it was noted that the private players in the Indian defence sector accounted for 70%, 86% and 88% of the exports generated respectively. The private sector’s exports stood at ₹ 72.71 billion in Fiscal 2020-2021 and ₹ 80.07 billion in Fiscal 2019-2020. India’s defence exports for 2021-2022 were estimated at US\$1.63 billion. The private sector accounted for 70% of the exports, while public sector firms accounted for the rest with the share of public sector going up from previous years.

Policy changes that reduce program delays and accelerate acquisition are poised to be instated into the Indian Defence environment. The industry is on the cusp of change owing to MoD’s objective of doubling defence production by the year 2025. In the same period, the MoD also aims at increasing the defence exports by 5 folds through increased involvement of private players as well as the privatisation of Ordnance Factory Board.

### Atmanirbhar Bharat Initiative

The Indian government’s Atmanirbhar Bharat Abhiyan, which translates to “self-reliant India,” is an effort to boost indigenous production and industry in the aftermath of COVID-19’s expected economic impacts. Reforms and policy easing have been announced for many industries, including the defence industry. The following are the primary ways to increase self-reliance and promote the indigenous defence industry:

| <b>Reform</b>                                      | <b>Description</b>   | <b>Benefit to Indigenous Industry</b>   |
|--|--|---|
| Negative Import List                               | The first negative list for defence imports includes short-range surface-to-air missiles, towed artillery guns, offshore patrol vessels and cruise missiles. Ministry of Defence notified in the 'Second Positive Indigenisation List' that it had banned up to 107 defence items, to ensure a greater self-reliance. The list includes helicopters, Air Borne Early Warning and Control ("AEW&C") systems, Next Generation Corvettes, Medium Power Radar for Mountains, Tank Engines, MRSAM Weapon Systems, and other complex systems, sensors, simulators, weapons, and ammunition items across Land, Air and Naval Platforms. The 3rd Positive Indigenisation List includes 780 strategically important Line Replacement Units/Sub-systems/Components which will only be procured from domestic industry. | This initiative accelerates domestic industry in order to incentivize the production of the specified items.  |
| Domestic Procurement Budget                        | The Indian MoD announced to allocate a funding worth 68% of the capital procurement budget for the defence sector to promote the cause of Atmanirbhar Bharat.  | Concerns about capital availability for domestic procurement are addressed.   |
| Corporatization of Ordnance Factory Board ("OFBs") | There had been reports of inefficiency in the board's operation, which necessitated corporatisation of Ordnance Factory Board in order to manufacture high-quality items while maintaining proper accountability for the goods, which were weaponry delivered to the army. Additionally, if the quality and quantity of items increase, the turnover will increase, and the key plan being promoted, Make in India, will receive a positive response, which will be beneficial to the economy in the short and long term.  | The corporatization of Ordnance Factory Board's ("OFB") is projected to provide long-term benefits, such as enhancing the quality and delivery rate of defence items, but it is also likely to raise the prices of most products being manufactured in the short term. This change would provide small businesses more autonomy while also improving accountability and efficiency. |
| FDI Norms  | India's foreign direct investment ("FDI") policies were revised in 2020 to enable investments of up to 74% in the defence manufacturing industry under the automatic route, up from 49% previously. The increase in the Foreign Direct Investment becomes a catalyst for the foreign players to develop India as International manufacturing hub.  | FDI has a positive capital advantage, as well as the potential for transfer of technology.  |

## Defence Acquisition Procedure (“DAP”)

The DAP aims to ensure timely acquisition of military equipment platforms, and system that meet the requirements of the Armed Forces in terms of capabilities, quality standards and performance, while making the best use of budgetary resources available. DAP would ensure the highest level of public accountability, probity, fair competition, transparency, and a level playing field while permitting the same. In addition, the DAP will persistently pursue self-reliance in defence equipment manufacture and procurement, with the goal of developing India as a worldwide defence manufacturing hub. The Defence Acquisition Procedure has also introduced several new provisions in addition to existing ones, which aim to boost the indigenous industry, such as:

Capital Acquisition schemes are broadly classified as, ‘Design and Development (“D&D”)’ ‘Buy and Make’, ‘Buy’, ‘Leasing’, ‘Make’, and Strategic Partnership Model (“SPM”).

|  |   |   |
|--|---|---|
| <b>Buy (Indian – IDDM)</b>                 | Buy (Indian-IDDM) category refers to the acquisition of products from an Indian vendor that have been indigenously designed, developed and manufactured with a minimum of 50% Indigenous Content on cost basis of the base contract price i.e. total contract price less taxes and duties   |   |
| <b>Buy (Indian)</b>                        | ‘Buy (Indian)’ category refers to the acquisition of products from an Indian vendor which may not have been designed and developed indigenously, having 60% IC on cost basis of the base contract price. Vendors eligible in ‘Buy (Indian-IDDM)’ category will also be permitted to participate in this category with indigenous design and a minimum of 50% IC on cost basis of the base contract price.   | Advantage for Indian vendors who may use a foreign design, if they meet the IC requirements on cost.  |
| <b>Buy and Make (Indian)</b>               | ‘Buy and Make (Indian)’ category refers to an initial acquisition of equipment in Fully Formed (FF) state in quantities as considered necessary, from Indian vendor(s) engaged in a tie-up with a foreign Original Equipment Manufacturer (“OEM”), followed by indigenous production in a phased manner involving Transfer of Technology (“ToT”) of critical technologies as per specified range, depth and scope from the foreign OEM. Under this category of acquisition, a minimum of 50% Indigenous Content is required on cost basis of the Make portion of the contract less taxes and duties. Acquisition under this category can also be carried out without any initial procurement of equipment in FF state.  | Indian vendor remains in lead; incentive for foreign OEMs to have a joint venture with Indian companies while facilitating Transfer of Technology |
| <b>Buy (Global – Manufacture in India)</b> | Buy (Global - Manufacture in India) category refers to an outright purchase of equipment from foreign vendors, in quantities as considered necessary, followed by indigenous manufacture of the entire/part of the equipment and spares/assemblies/sub-assemblies/MRO facility (only in cases these are part of the main contract) for the equipment, through its subsidiary in India/through a Joint Venture/through an Indian Production Agency (“PA”) (with ToT of critical technologies as per specified range, depth and scope to the Indian PA), meeting a minimum of 50% IC on cost basis of the Base Contract Price. Indian vendors will be permitted to participate in Buy (Global - Manufacture in India). Acquisition under this category can also be carried out without any initial procurement of equipment in FF state |   |

|                            |   |   |
|----------------------------|---|---|
| <b>Buy (Global)</b>        | 'Buy (Global)' category refers to outright purchase of equipment from foreign or Indian vendors. In case of procurement through foreign vendors, Government to Government ("G2G") route/Inter Government Agreement ("IGA") may also be adopted, for equipment meeting strategic/long term requirements. An Indian Vendor participating in this category would be required to meet minimum 30% Indigenous Content, failing which such vendor would be required to discharge offsets as applicable in the case.   |   |
| <b>Leasing</b>             | Leasing has been introduced as another category for acquisition in addition to the existing 'Buy' and 'Make' acquisition categories as it provides for an innovative technique for financing of equipment/platforms. Leasing provides means to possess and operate the asset without owning the asset and is useful to substitute huge initial capital outlays with periodical rental payments. Leasing would be permitted in two sub categories i.e. Lease (Indian), where Lessor is an Indian entity and is the owner of the asset, and Lease (Global). | Leasing is useful way to substitute huge initial capital outlays with periodical rental payments  |
| <b>Make and Innovation</b> | Acquisitions covered under the Make and Innovation including iDEX and Technology Development Fund ("TDF") categories refer to equipment/system/sub-system/assembly/sub-assembly, major components, or upgrades thereof, to be designed, developed and manufactured by an Indian vendor/processed by the Services through their internal organisations, such as Base Workshop/Dockyards/ Base Repair Depots etc. with or without participation of Private industry   | It provide a focused, structured and significant thrust to development of defence design and production capabilities in the country   |
| <b>D&amp;D</b>             | D&D cases progressed by DRDO/DPSUs/OFB for acquisitions of equipment/system/subsystem/assembly/sub-assembly, major components, or upgrades thereof, to be designed, developed and manufactured by an Indian vendor  | This process will help in translating the existing indigenous technological capability into systems, and also in implementing 'Make in India' with indigenous technology through Indian industry. |
| <b>SPM</b>                 | Acquisitions under the Strategic Partnership model refer to participation of private Indian firms along with foreign OEM in 'Make in India' in defence and play the role of a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, in particular, those from the MSME sector. Strategic Partnerships will seek to enhance indigenous defence manufacturing capabilities through the private sector over and above the existing production base.                                      | Development of Indian defence manufacturing eco-system.   |

### Defence Offsets

Though India has pursued defence offsets aggressively since enacting an official policy in 2005, previous policies did not focus on technology and R&D capability transfer from foreign to Indian defence businesses. The Defence Acquisition Policy 2020 seeks to address these shortcomings by moving the focus away from "components" and toward "technology investments" as well as "platform export." The DAP 2020 has extended avenues for extending offsets, providing foreign businesses direct credit for transferring vital technologies to the Indian economy. Though certain essential technologies, like electromagnetic rail guns, and hypersonic flight-related technology

were formerly only available to DPSUs and DRDO, the large number of innovations utilised in defence equipment are now available to private entities.

Another significant improvement in India's offset policy is the abolition of "offset banking," which allowed foreign corporations to claim credits for undertaking regular business activities in the country. The government has attempted to strike a compromise between the interests of foreign investors in the country by allowing them to permit their vendors to discharge offsets on their behalf. To give the Indian industry greater chances, the baseline indigenous component mandates for Buy (Indian) and Buy (IDDM) categories have been enhanced by 10%. Overall, the new adjustments are aimed at encouraging indigenous firms' technological advancements while also reserving a larger opportunity share for them in military contracts, hence driving the expansion of India's defence industry. India signed as many as 21 defence offset contracts worth USD 5.67 billion between 2016-2019. Details of OEMs with Offset contracts have been shown in the Table below.

#### OEMs with Offset Contracts

| S. No. | OEM Name  | Offset Contracts Description   |
|--------|---|--|
| 1      | Airbus Defence and Space S.A.                     | Procurement of 56 Transport Aircraft with Associated Equipment         |
| 2      | BAE Systems GCS International Limited             | 145 X 155 mm 39 calibre Ultra-Light Howitzers (M777A2)                 |
| 3      | Dassault Aviation                                 | 36 Aircraft Package Supply Protocol Offset Contract (RAFALE EH/DH)     |
| 4      | Elbit System Ltd                                  | Thermal Imaging Fire Control Systems ("TIFCS") for T-72 Tanks          |
| 5      | Elbit System Ltd                                  | Radio Sets ("RS") Tadiran  |
| 6      | Elbit System Ltd                                  | 12.7mm Stabilised Remote Control Guns ("SRCG") and ammunition with TOT |
| 7      | Elbit System Ltd                                  | Upgrade Medium Lift Helicopters  |
| 8      | Elbit System SAR and Data Links-Elisra Ltd        | Search and Rescue Equipment ("SAR")                                    |
| 9      | Elbit Systems Electro Optics ELOP Ltd             | TISK   |
| 10     | ELTA Systems Ltd                                  | Air Route Surveillance Radar ("ARSR")                                  |
| 11     | ELTA Systems Ltd                                  | 12 x Recce pods(Su-30)   |
| 12     | ELTA Systems Ltd                                  | 06 SETS of RADAR AMDR-2D   |
| 13     | ELTA Systems Ltd                                  | Medium Power Radar ("MPR")   |
| 14     | Fincantieri - Cantieri Navalli Italiani S P A     | Fleet Tanker (Option)  |
| 15     | Fincantieri - Cantieri Navalli Italiani S P A     | Fleet Tanker (Main)  |
| 16     | Israel Aerospace Industries (IAI)                 | Two Troops Heron UAV (Indian Army)                                     |
| 17     | Israel Aerospace Industries (IAI)                 | UAV HERON  |
| 18     | Israel Aerospace Industries MBT Missiles Division | Air Defence Fire Control Radars  |
| 19     | Israel Aerospace Industries MBT Missiles Division | Augmentation of Barak System Repair Facility                           |
| 20     | Israel Aerospace Industries MBT Missiles Division | HAROP  |
| 21     | James Fisher Defence Ltd                          | Deep Submergence and Rescue Vessel ("DSRV")                            |
| 22     | Lockheed Martin Corporation                       | C-130J Aircraft (Option)   |
| 23     | Lockheed Martin Corporation                       | Indian Navy 24 MRH   |
| 24     | Lockheed Martin Corporation                       | C-130J-30 Aircraft (Main)  |
| 25     | MBDA  | MICA for M2000   |
| 26     | MBDA  | 36 Rafale Fighter Weapons Package Supply Protocol (RAFALE EH/DH)       |
| 27     | MBDA UK Limited                                   | New Generation Close Combat Missile                                    |
| 28     | Nexter Munitions                                  | 20 MM Ammunition and associated equipment for ALH (WSI)                |
| 29     | Nexter Munitions                                  | 20 MM Gun Ammunition (Indian Air Force)                                |

| S. No. | OEM Name  | Offset Contracts Description   |
|--------|---|--|
| 30     | Pilatus Aircraft Ltd                                  | Basic Trainer Aircraft Pilatus   |
| 31     | Qinetiq Target Systems Ltd                            | MEAT   |
| 32     | Rafael Advanced Defence Systems Ltd                   | SPICE-2000 NGPGM Weapon Systems (OPTION)   |
| 33     | Rafael Advanced Defence Systems Ltd                   | BARAK 1 SAM  |
| 34     | Rafael Advanced Defence Systems Ltd                   | Medium Altitude EO/IR Recce System for Jaguar                                      |
| 35     | Rafael Advanced Defence Systems Ltd                   | Spice 2000 Weapon Systems  |
| 36     | Rafael Advanced Defence Systems Ltd                   | Medium Altitude EO/IR Recce System for Jaguar Option Clause                        |
| 37     | Rafael Advanced Defence Systems Ltd                   | Barak 1 (Option)   |
| 38     | Rafael Advanced Defence Systems Ltd                   | 164 LDPs   |
| 39     | Rafael Advanced Defence Systems Ltd                   | SDR Global Link Netcor   |
| 40     | RosoboronExport                                       | KAMOV 28 Mid Life Upgrade  |
| 41     | RosoboronExport                                       | 80 Helicopters Mi-17V-5  |
| 42     | Russian Aircraft Corporation "MIG" Russian Federation | Extension of service Life and Upgrade of MiG-29                                    |
| 43     | Textron Systems Corporation                           | Sensor Fuzed Weapons ("SFW")   |
| 44     | Thales Air Systems SA                                 | Low Level Transportable Radar ("LLTR")   |
| 45     | Thales Belgium S.A                                    | Procurement of 70 MM Rockets and Associated Equipment for ALH(WSI) for Indian Army |
| 46     | Thales Belgium S.A                                    | Procurement of 70 MM Rockets and Associated Equipment for ALH(WSI)                 |
| 47     | Thales Systemes Aeroportes                            | UPGRADE OF MIRAGE 2000 AIRCRAFT  |
| 48     | The Boeing Company                                    | CH-47F(I) Chinook Heavy Lift Helicopters   |
| 49     | The Boeing Company                                    | P-8I Main  |
| 50     | The Boeing Company                                    | C-17 Globemaster III Aircraft  |
| 51     | The Boeing Company                                    | P-8I Training Solutions  |
| 52     | The Boeing Company                                    | AH-64E Apache Attack Helicopters (Option Clause)                                   |
| 53     | The Boeing Company                                    | Four(04) P-8I LRMASW Aircraft  |
| 54     | The Boeing Company                                    | Harpoon Missiles   |
| 55     | The Boeing Company                                    | AH-64E Apache Attack Helicopters   |
| 56     | Ultra Electronics Maritime Systems                    | New Torpedo Defence System   |

### Quantum and Scope of Offsets

- These provisions are to be applied to all Capital Acquisitions such as 'Buy (Global)', 'Buy and Make with Technology Transfer'. The estimated cost of the acquisitions proposal is poised to be over ₹ 300 Cr. As a part of the "Buy (Global)" procurements, the provisions are to apply to joint ventures and Indian enterprises.
- The said value of the offset obligations is expected to account for 30% of the acquisition cost in 'Buy (Global)' capital acquisition category. Roughly 30% of the foreign exchange component under the 'Buy and Make using ToT' capital acquisitions category. Offset requirements are to be fulfilled by referring to services and eligible items.
- In special circumstances, the Defence Acquisition Council ("DAC") may mandate variable offset obligations that exceed up to 30% or pave way by waiving the requirement for offset responsibilities. Factors like acquisition type, the ability of the Indian DAC defence industry to absorb the offset, strategic importance or priority of the acquisition, are some of the relevant attributes.

### Positioning of DCX in Indian Defence Offsets

DCX has been a preferred Indian Offset Partner for foreign OEM's for executing many prestigious Aerospace and Defence projects including

- MRSAM/LRSAM – (Secured orders of about 67% of the offset value of US\$ 635 million)
- ASR (Surveillance Radar)
- Air Defence Fire Control Radar (“ADFCR”)
- High Power Radars (“HPR”)
- Iron Dome – Part of Multi-Tiered Missile Defence System
- Barak-1 and Barak-8 Missile Systems
- Thermal Imager Standalone Kit (“TISK”)
- Thermal Imager Fire Control System (“TIFCS”)
- Long Range Reconnaissance and Observation System (“LORROS”)
- Commander Open Architecture Panoramic Sight (“COAPS”)

DCX is also the largest Indian Offset Player for M/s. IAI Group, Israel, for the Indian defence market in the manufacture of electronic sub-systems. DCX undertakes, build-to-print products for both domestic and international OEMs as part of larger defence manufacturing contracts. DCX has submitted its letter of agreement/ acceptance to act as the IOP for upcoming projects for several automatic missile detection radars, HERON unmanned aerial vehicle systems, Barak systems, medium range maritime reconnaissance system and short-range surface to air missile.

### **Make in India Defence Projects**

Foreign partnership provided by Indian Defence Offset is already having an impact, delivering technological improvements, fostering new innovations, and raising awareness of the importance of strengthening people's technical skillsets. As a result, increased participation of local subcontractors (SMEs) may be secured with more foreign investment and a strong push for Make in India. This would help strengthen the technical skillsets of local R&D and production facilities that cater to Make in India Defence Projects, as well as increase employment prospects.

Small and Medium Enterprises (“SMEs”) are benefiting greatly from India's Defence Offset policy. The offset policy has made possible for SMEs to develop, design, produce, and provide diverse electronics components and subsystems to Tier-1 and Tier-2 defence players, both private and government. SMEs in India have a significant skill pool, which plays a huge role in defence offset. These SMEs have formed an important part of the Indian defence supply chain in recent years.

### ***DCX's Role in Domestic Indian Technology Integration***

DCX is involved in manufacturing a comprehensive array of cables and wire harnesses assemblies for a variety of uses including Communication systems, Sensors, Surveillance systems, Missile systems, Military Armoured Vehicles, Air Defence Systems, Reconnaissance and Observation System, Multifunction Displays and other Electronic Warfare Systems. DCX has made long term Aerospace and Defence investments in the Israel market which processes high-end advanced and modern technology in the last several years. Further, the company has forged a deeply penetrating OEM customer relationship based on which their track record of growth in financial parameters have marched leaps and bounds. DCX has invested strategically in processes- and physical infrastructure - to develop its manufacturing facility and has become a leading player in the cable and wiring - harness domain in aerospace and defence sectors -. Around 56% of the revenues for the year Fiscal 2022 were from Israeli based customers and about 44% are from the domestic market. Private players like DCX plays an important role in meeting the offset obligations and helping the goals set by the Government of India with reference to be a US\$ 5 billion export country by 2025. In 2022 DCX exported US\$ 76 million worth of equipment accounting for 4.7% of the overall defence exports from India.

### **Defence Production and Export Promotion Policy 2020**

The Defence Production and Export Policy is a policy to position India among the world's leading countries in the defence sector, which includes the aerospace and naval shipbuilding domain, from design stage to execution and production, with active public and private sector participation, therefore achieving the dual goals of exports as well as self-reliance.

The Department of Defence Production, GOI has facilitated the establishment of a wide range of production facilities for various equipment through Ordnance Factories and Defence Public Sector Undertakings (“DPSUs”) since 2001 via private players. This in turn has resulted in a diverse product range for the government. Moreover, the contribution to private sector within the defence industry has been increasing. Roughly 460 licenses have been issued to private companies. An increase in the number of licenses issued is poised to prove beneficial for companies like DCX in terms of increased Aerospace and Defence product orders. The goals and objectives of the policy are as follows:

- The key objective is to generate a turnover of USD 25 billion, with an export value of USD 5 billion in aerospace and defence goods as well as services.
- To build a competitive as well as defence sector, including the aerospace and naval shipbuilding industries, to meet the needs of the armed forces services with high-quality products.
- Reduce import dependency and advance “Make in India” objectives through domestic design and development.
- To encourage the export of defence products and to join global defence value chains.
- To create an environment that supports rewards innovation, R&D, protects Indian intellectual property, and develops a strong as well as self-reliant defence industry.

## **GLOBAL DEFENCE ELECTRONICS MARKET**

### **Market Brief**

The Defence Electronics market comprises of electrical components which are integrated onto defence technologies. Some of the key focus areas for the global defence electronics market include avionics, military communication systems, UAVs, airborne systems, electronic warfare systems, land system electronics, naval system electronics, C4ISR and weapon as well as missile system electronics.

A demand for high performance electronics within the defence sector is poised to be one of the key factors to serve as a market driver. Defence Electronics accounts for roughly 32% of the total defence procurement. With the change in warfare tactics and battlefield management, the need to modernize conventional military equipment has increased. Modernization is the key in keeping pace with technological progress on the battlefield. This demand for upgrading is expected to drive the growth of the market. The traditional defence industrial base is heavily skewed toward expensive, exquisite systems where high performance is the priority. However, the Ukraine Russia war is proving just how much can be accomplished with innovative uses of commercial technology that costs thousands of dollars, not billions. Using more inexpensive drones that are far cheaper allows them to treat them more like munitions than aircraft, which radically expands opportunities for tactical innovation.

Early into the Russia-Ukraine conflict, Germany announced it was committing €100 billion (US\$113billion) in military spending. Other countries are following suit. After the end of the Cold War, Sweden slashed military spending. It was only after Russia's annexation of the Crimean peninsula in 2014 that the parliament agreed on a turnaround. Following the Ukraine Russia war Sweden has committed to increase defence expenditure. Romania and Poland have committed to increasing defence spending beyond 2% of their GDP. In the medium-term, priorities include the modernisation of Europe's air defences and expanding drone, cyber and space capabilities. Another target is the development of a new battle tank, the MGCS tanks project, to replace Germany's Leopard and France's Leclerc.

Growth in investment associated with the semiconductors industry is expected to be one of the key drivers for this market. Major chip suppliers to the defence industry such as Taiwan Semiconductor Manufacturing Company (“TSMC”) experienced shocks during the pandemic and had to roll back supplies. As a result, several nations are shoring up their indigenous semiconductor manufacturing capabilities. By the year 2030, expenditure associated with R&D, materials, equipment and training is anticipated to attain a value of US\$ 900 billion.

### **Semi-conductor Industry as a key contributing market**

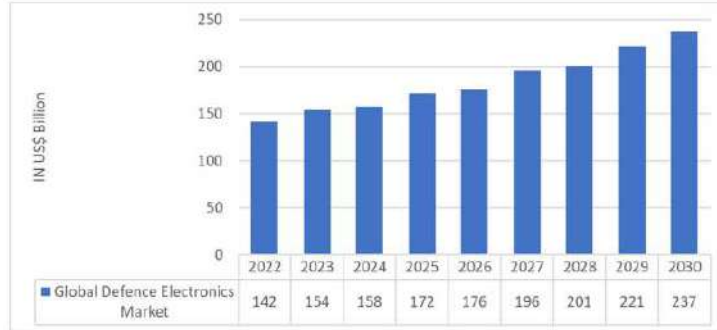
The segmentation for the semiconductors sector based on its application across verticals including communication systems, radar and electronic warfare have been shown in the Figure below. The semiconductor's content within the electronic components market is poised to attain a value of roughly US\$ 6.5 billion by the year 2030. A rapid growth in the usage of GaN is another notable observation for the semi-conductor's market. GaN's dominant



power RF performance is one of the key factors that contribute to this growth. GaAs is another semiconductor variant (widely used in radars) with a III-V direct band gap with a zinc blend crystal structure.

**Estimated Market Size and Market Projection**

**Global Defence Electronics Market, 2022-2030, USD billion**



*Note: The Estimated Market Size and the Projected Values for the Global Defence Electronics Sector have been showcased in this figure. A top down and a bottom up approach was used to calculate the estimated market size. The values are mentioned in USD billion and are in calendar year.*

The estimated market size for the Global Defence Electronics Market is expected to be US\$ 142 billion for the year 2022. Driven by the proliferation of multi-domain operations, proliferation of network-centric command and control, and improved forms of surveillance (for example, shift from passive to active radars), further driven as a consequence of the Russia Ukraine war, the market is poised to reach a forecasted value of US\$ 237 billion by the year 2030, with a CAGR of roughly 6.6%. The increasing number of policies related to the nation’s security and mounting demand for digitalized solutions is forecast to fuel the market growth.

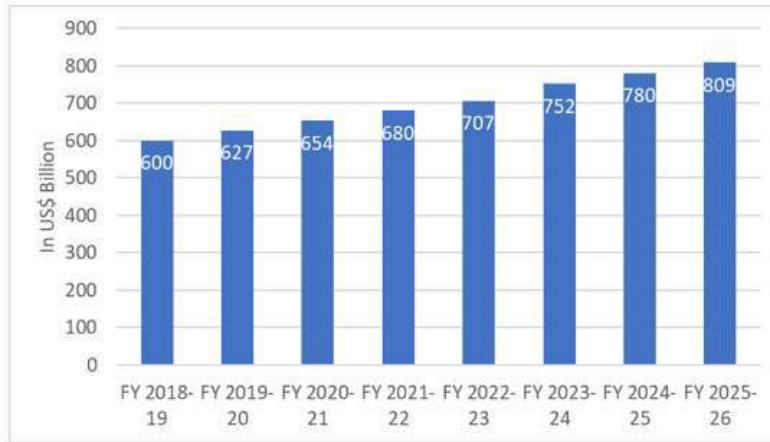
**Market Size of Printed Circuit Board Assembly**

The Global Electronics Market is estimated at around US\$ 2 Trillion in Fiscal 2019, out of which PCBA is expected to account to around 40%-50% of the total market value of Global Electronics Market. The Global PCBA market is expected to account to around US\$ 600 billion. The key consumer electronics which are key drivers for the PCBA are:

- Mobile phones
- Tablets, notebooks and desktop PCs
- Smart TVs, audio devices, video and music streaming devices
- Consumer appliances (washing machine, refrigerator, AC and heaters)

These four categories account to around 46% of the overall Global Electronics market.

**Global PCBA Market, 2019-2026, USD billion**



Note: Fiscal 2018-2019 to Fiscal 2020-2021 are actuals| Fiscal 2021-2022 onwards are forecast.

## INDIA ELECTRONICS MARKET

### Indian Electronics Market

The Indian electronics market accounts for around 3.6% of the Global Electronics Market in 2019. The market in 2021 was around US\$ 118 billion and this is expected to grow to US\$ 309 billion by 2025-2026. The National Policy on Electronics (“NPE”) 2019 had set a target of reaching \$300 bn by 2026. The expected growth in Indian Electronics Market is shown in the figure.

### Indian Electronics Market, Fiscal 2022-Fiscal 2026

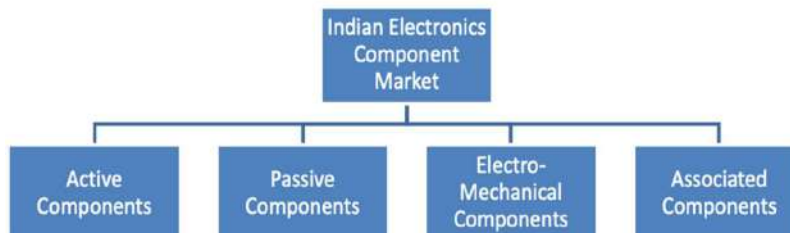


Source: Frost & Sullivan Analysis

### Indian Electronics Component Market

The Indian Electronics Component Market can be segmented as shown in the figure below:

### Indian Electronics Component Market Segmentation, 2022



The products like PCB boards are in the Electro-Mechanical Components segment. The key subcategories of this segment are PCB, Connector and Cables which accounts to 70% of this segment.

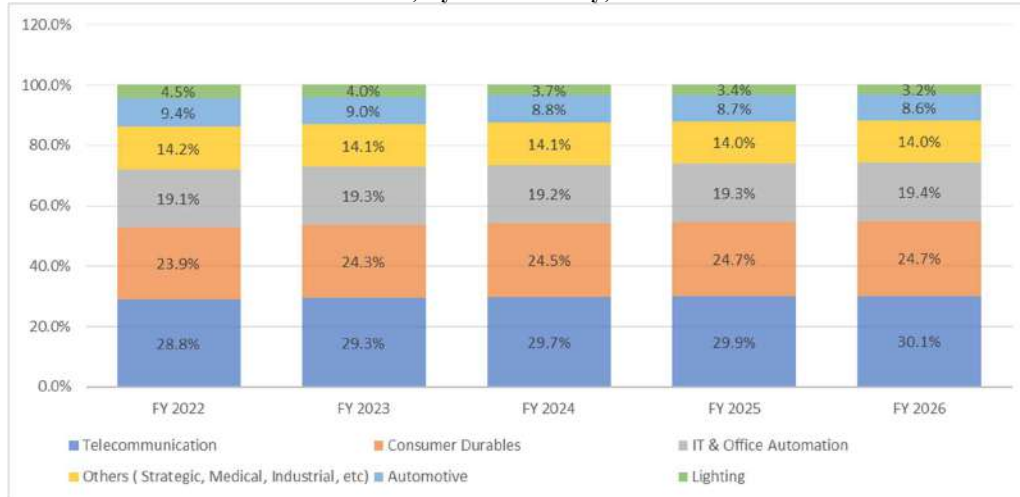
### Indian PCBA Market



Source: Frost & Sullivan Analysis

The Indian PCBA market is estimated to reach US\$ 0.618 billion in Fiscal 2022 and is estimated to reach around US\$ 1.2 billion in Fiscal 2026 at a CAGR of 19%. The growth will be driven by increased adoption of active surveillance solutions, unmanned systems, digital communication systems, and network-based command and control systems in defence. The end use applications of PCBA in India are given below.

**Indian PCBA Market, By End Industry, Fiscal 2022-Fiscal 2026**



Source: Frost & Sullivan Analysis

The other segment of PCB which includes defence application is expected to grow at a CAGR of around 19% between the period Fiscal 2022 to Fiscal 2026.

## INDIAN DEFENCE ELECTRONICS MARKET

### Market Brief

The Indian Market is presently focused on the indigenous development of Defence electronics amongst other segments. The country plans on increasing the value add for each step in the integration and manufacturing process for defence equipment. India has a strong IT and software industry. As of 2021, the number of people who are directly employed in the IT-BPM sector was about 4.5 million. The indirect job creation for this market is estimated to be about 12 million. The use of this manpower to increase local development of defence electronics is poised to create additional job opportunities as per the multiplier effect.

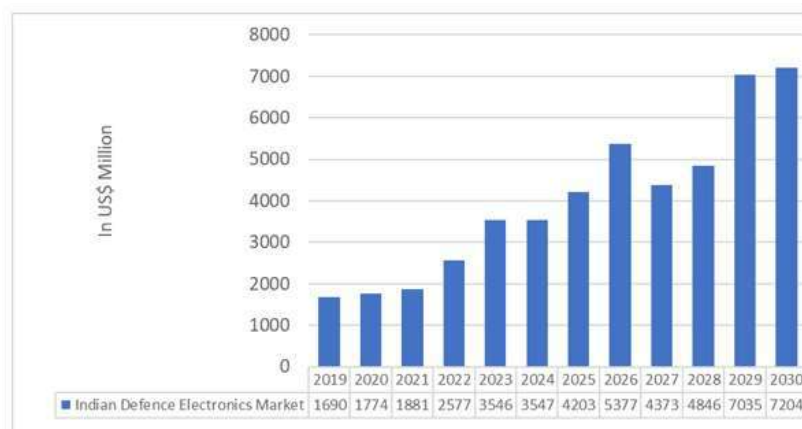
In 2019, the Indian government undertook financial initiatives that are likely to benefit offset disability. The government also took initiatives to promote the Electronics Manufacturing clusters in order to support the design and manufacturing of electronics manufacturing units.

### Change in Market Trends

According to the Economic Diplomacy Division, Ministry of External Affairs it is noted that 65% of India's electronics requirement was imported in the year 2018. Less than 10% of the electronic systems were entirely developed in India, and roughly 25-30% of the systems were assembled. However, the number of market opportunities within the defence manufacturing domain has been increasing within India owing to the instating of the "Atmanirbhar Bharat" programme. Increased market penetration of electronics and electronic warfare are some of the other factors which are poised to boost the market growth. India has also entered several strategic bi-lateral relationships to strengthen its stance in the global markets.

### Estimated Market Size and Market Projections

#### Estimated Market Size And Market Projections For Indian Defence Electronics Market, US\$ million



Note: Frost & Sullivan Analysis, all forecast period is in calendar year. 2019-2021 are actuals are 2022-2030 are forecast. The CAGR is 13.71% between 2022-2030. All years are in calendar years.

The estimated market size for the Indian Defence Electronics Segment is noted to be US\$ 2,577 million for the year 2022. The market is expected to reach US\$ 7,204 million by the year 2030. The overall growth in market size is due to the increased investment in indigenous programs such as the Future Ready Combat Vehicle (“FRCV”) and the Future Infantry Combat Vehicle (“FICV”). India’s reliance on external markets is poised to reduce during the forecast period owing to the country’s burgeoning defence capability. The market is poised to grow with a CAGR of 13.71% between 2022-2030.

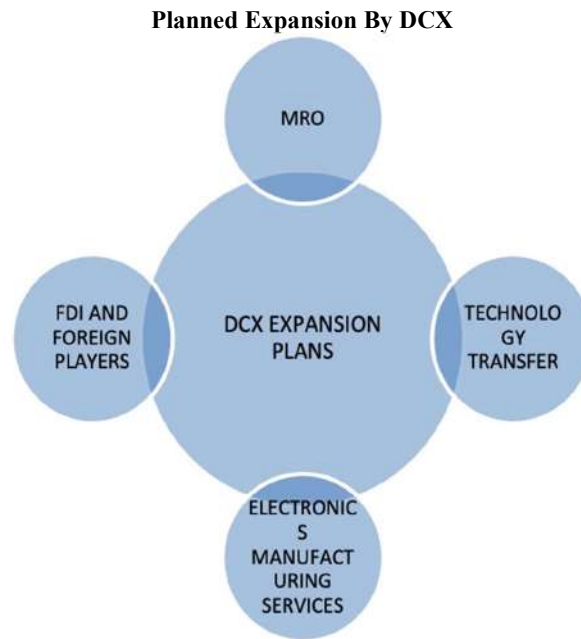
There is a strong focus and initiatives by the Government of India in the aerospace and defence sectors especially for Private players including Micro, Small and Medium Enterprises. With defence public sector undertakings focussing on specialisation and integration and sub-component manufacture being outsourced to the private sector, there are significant opportunities for the private sector.

#### Aatma Nirbhar Bharat programme

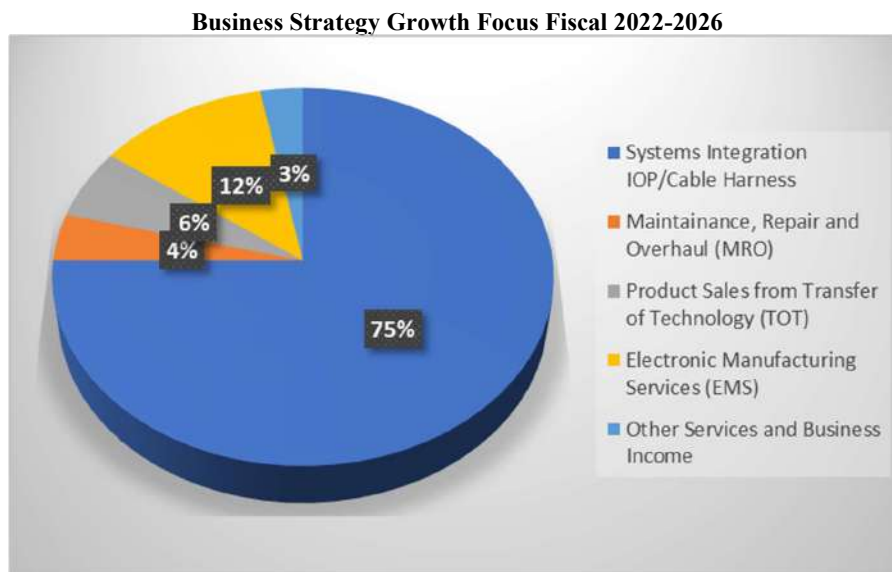
| Measure                              | Description   |
|--------------------------------------|---|
| <b>Positive Indigenisation list’</b> | To incentivise domestic production and limit imports, the Defence Ministry has banned the import of 209 defence related equipment and components. Services can only source the listed equipment from Indian vendors Equipment covered includes segments such as electronic warfare, sensors, radars, Unmanned Aerial Systems, amongst others. The Government has also introduced the 3rd positive indigenisation list that bans the import of 780 LRU items that will going forward have to be procured from the domestic industrial base. This will drive further development of the domestic Indian defence industry. |
| Budget Allocations                   | 68% of capital procurement budget has been earmarked for domestic defence procurement for Fiscal 2022-2030.   |
| Corporatisation of OFBs              | The government aims to corporatize OFBs in a bid to improve production efficiency and transparency. There are 41 ordnance factories in India, which source components from Tier 2 and Tier 3 suppliers.   |
| FDI                                  | The FDI limit under the automatic route has been increased from the current 49% to 74%. The increase will encourage foreign manufacturers to invest in India with confidence as they will have a controlling stake in a joint venture.  |
| Indian Offset – Self Reliant         | This measure encompasses design, development, and manufacture as part of its mandate, and encourage OEMs and design firms to form long term partnerships with India’s defence sector.   |

DCX has established a leadership position in the Indian aerospace and defence industry amongst other companies, in the segment of - System Integration Business - as a result of long operating history and the experience of its management team. The company’s in-depth knowledge base and understanding of the aerospace and defence industry, particularly in India positions DCX to take advantage of the growth in these sections.

**Market Size for Planned Expansion by DCX**



**DCX Business Strategy Growth Focus Fiscal 2022-2026**

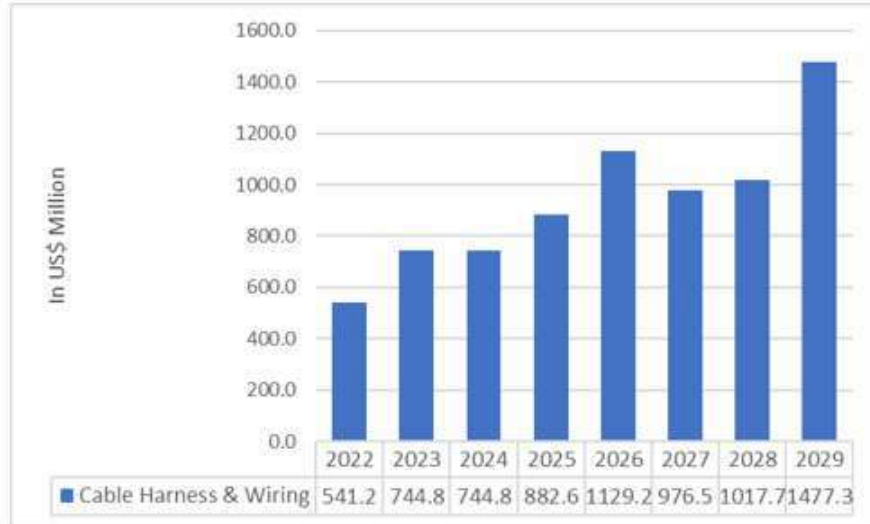


DCX has planned its cumulative revenue stream for the years Fiscal 2022 to Fiscal 2026 based on the above segments. System Integration and Cable Harness is expected to account to 75% of their total cumulative revenue in the next 4-5 years. This is expected to be followed by Defence Electronics Manufacturing Services (“EMS”), which is expected to account to 12% of their future revenue. MRO is expected to account for around 4%. The market forecast for all these segments have been discussed in detailed. However, business segments like ToT cannot be quantified on a yearly basis.

## Cable Harness and Wiring

The cable harness and wiring segment is expected to increase due to increased indigenisation of defence production. Cable Harness and Wiring are basic requirement across land, naval and air platforms.

**Potential Market Size For DCX In Indian Cable Harness And Wiring, US\$ million**



Source: Frost & Sullivan

Most growth opportunities and programmes in defence translates to an increased market potential for cable and wire harnessing. This area is part of DCX's key expertise, as the company manufactures a diverse portfolio of cables and related components including RF, Coaxial, Mixed Signal, Power, Data, Submergible, Shielded and Conduit Assemblies which includes connectors of types Coaxial, Triaxial, Quadriaxial, RF, Circular MIL, MIL D-Sub and micro-D-sub, Filter and Arinc connectors. These are used in submarines, tanks, fighting vehicles, helicopters, UAVS, targeting pods, etc., as these components deliver performance in extreme conditions. Conclusively, an increased investment in the electronics segment will drive the demand for electronic subsegments like cables and connectors within the Indian market – an opportunity that DCX is well positioned to seize. Globally military spending will be on the rise due to geo political tension with Russia and China. Already following initial approval of its 2021 budget, the Japanese Government added \$7.0 billion to military spending. Eight European North Atlantic Treaty Organization (“NATO”) members have already reached the Alliance's target of spending 2% or more of GDP on their armed forces in 2021. Germany, the third largest spender in Central and Western Europe, spent US\$56.0 billion on its military in 2021 and has committed to spend more over the next few years as a consequence of the Russia Ukraine war. With countries procuring next generation air crafts, submarines and an increase in UAV procurement as a force multiplier the next few years will see an uptick in procurement activities.

## Electronic Manufacturing Services

Globally, the revenues of the top 50 EMS companies were about US\$ 344 billion in 2019, which accounts for 16% of the Global Electronics market by value. Most of the major manufacturers are considering the policy of “China+1”, where India is the most favoured destination. It is also important to note that most of the manufacturers have their manufacturing presence in South East Asia or China. The Indian Government is trying to attract these companies towards India to strengthen the export capabilities in Electronic Manufacturing.

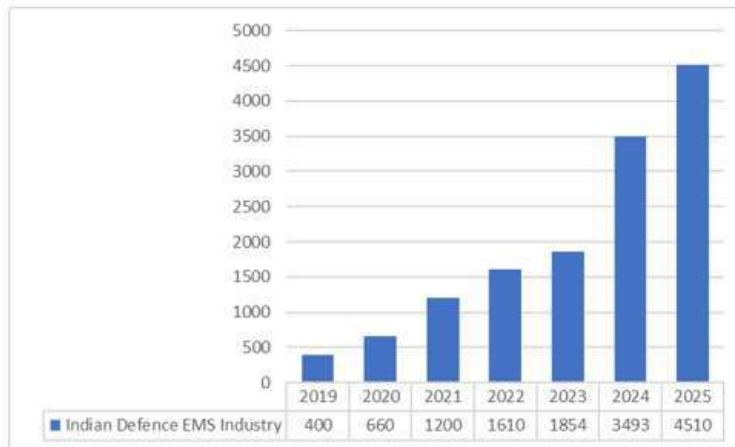
The defence electronics segment is poised to grow owing to the rapidly evolving trends in the semiconductors market. The imbalance of supply and demand in the semiconductors sector is anticipated to be one of the key factors that propel this growth. The onset of the pandemic led to an increased dependence on IT infrastructure. Moreover, the spread of the pandemic caused a ripple effect in the entire defence sector owing to the changing alliances globally. Thus, a substantial increase in demand was witnessed amongst both the industries. India has also been attempting to cultivate and pull electronic chip manufacturers into the economy. Advanced semi-conductors are noted to be an integral part of the defence sector. On a global basis, Taiwan is one of the key suppliers of this product.

Another driver of defence electronics and associated integration opportunities in India is the future proliferation of more advanced ISR solutions – particularly, radar systems. Several Indian combat aircraft continue to use passive radar solutions. Moving forward, passive radars will be replaced with indigenous AESA radar systems. The Electronics and Radar Development Establishment (“LRDE”) recently developed an AESA radar for combat aircraft with 95% indigenous content. Passive radar systems on the Tejas Mark 1A, Sukhoi Su-30 MkI, and MiG 29-K will be replaced with AESA solutions, whilst new Tejas aircraft procured are likely to be outfitted with AESA as standard. A similar procurement trend is anticipated from the Indian Navy. Further, the proliferation of new threats – faster missile systems, for example, would mandate a technological update of surveillance and missile defence radar systems – both on platforms, and on military bases. Precision approach radars in several defence bases are in excess of twenty years old and would require recapitalisation. The shift from passive to active radar solutions will thus provide opportunities for the manufacture, assembly, and integration of electronic radar modules, as well as related cabling. This is another opportunity that DCX can easily capitalize on based on the incumbent’s existing capabilities and future plans.

India has also been investing the development of low-cost semi-conductors which is poised to boost the supply of this product across verticals like aerospace and defence. The government has also given impetus to indigenous production through a ₹ 760 billion production linked incentive scheme for the Indian semiconductor industry. The technology can be integrated to integrated circuits (“ICs”) with a voltage of up to 20V. Low-cost semiconductor technology is noted to be in the fourth stage of the Readiness Level.

The Government of India in 2022 has committed US\$ 10 billion of incentives to tempt manufacturers to set up new semiconductor fabrication plants and encourage investment in related sectors. This might be an appropriate time to make such a push as countries attempt to decouple their supply chains from China, which has invested heavily to become a leader in the semiconductor industry. Additionally, with multiple COVID-19 strains causing chaos on supply chains combined with multiple lockdowns in China has sent companies and governments on a hunt for alternative sources of production. Singaporean group IGSS Ventures has already signed a memorandum of understanding with the Tamil Nadu state government to set up a factory within three years for wafers. The Israeli group ISMC has signed a letter of intent with the state of Karnataka, home of India’s tech capital, Bangalore, to build a US\$ 3 billion semiconductor chipmaking plant. Additionally, Foxconn has teamed up with Indian group Vedanta to build a semiconductor plant, surveying sites in the western Indian states of Gujarat and Maharashtra.

**Market Size For Indian EMS Industry, US\$ million**



Source: Frost & Sullivan Analysis | Fiscal 2019 to Fiscal 2021 are actuals, rest of the years are estimated.

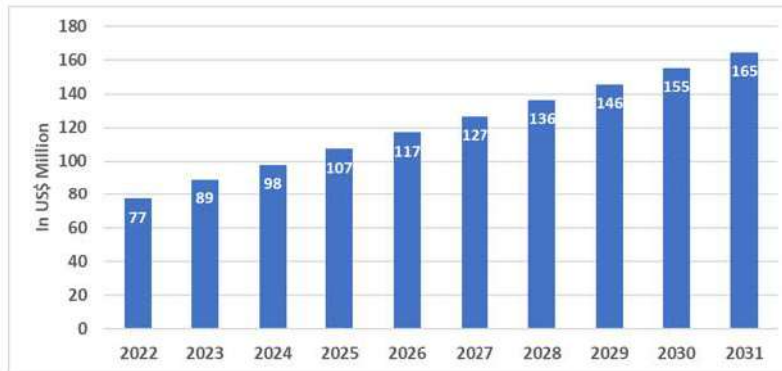
The Indian EMS Industry is expected to grow from US\$ 400 million in Fiscal 2019 to US\$ 4,510 million in Fiscal 2025 at a CAGR of around 49.8%. India made an investment worth US\$ 9.67 billion to attract roughly 100 semiconductor chip manufacturing companies in the coming 4 years. The current semiconductor demand in India is noted to be US\$ 49 billion, by the year 2025 the semiconductors market is expected to attain a value of US\$ 100 billion. A study on the Indian Semiconductor market suggests that the country consumes roughly 5% of global semiconductor production. India presently produces semiconductors via in-house foundries of the Indian Space Research Organisation (“ISRO”) and the DRDO. However, India accounts for roughly 45% of research and



design carried out within the semiconductor industry via a pool of 20,000 engineers. The domestic value addition for the Indian semiconductors sector is noted to be roughly 15-20%.

**MRO**

**Potential Market Size For DCX in MRO (Cable Harness), US\$ million**



Source: Frost & Sullivan Analysis

India is noted to be the third largest buyer of commercial aircraft with over 1000 aircraft currently on order similarly Indian defence is also heavily investing in the defence air platforms. The purchase value translates to 200-300 major maintenance checks. The increased replacement of ageing aircraft fleet is one of the key factors which is poised to drive the growth margins. In case of defence aircraft, the MROs are done in-house, however there are components or spares which are procured from private organizations.

The Indian MRO market attained a value of US\$ 1.7 billion in 2021. The Indian Commercial MRO Market is poised to grow with a CAGR of roughly 9% between 2022 to 2031. The global MRO market is estimated to expand with a CAGR of 7.7% between 2022-2030, as the market expands from \$ 64.7 billion in 2022, to \$ 117 billion in 2030. Currently most of the major MRO is happening outside India, mainly due to the lack of manpower and facilities to undergo maintenance in India. The Electronic cables and connectors segment are expected to account for 4% of the total Indian MRO market. It is estimated that the potential market for DCX is around US\$ 165 million in 2031.

**Transfer of Technology**

Transfer of technology is poised to be one of the key factors which is anticipated to drive the market size for the hardware components vertical. Connectors and cables are used across various turnkey and subsystems assembly; hence an increased number of technology transfer contracts on both national as well as global basis are poised to boost the demand for cables and connectors. Technology transfer agreements have a major advantage in terms of defence offsets. Locally manufacturing companies in India would gain a potential opportunity to explore international markets via the same.

On studying the recent technology transfer contracts signed by India it is noted that DRDO signed 30 agreements with 16 Indian companies in the year 2019 at the Vibrant Goa Global Expo. An increased number of nationally collaborative agreements are expected to boost the domestic manufacturing capability in India. According to the multiplier effect, an increased number of indigenous programs are anticipated to boost the direct indirect and induced employment in India. Earlier in 2020, the government also announced 10 PLI Programs which is expected to bring new investments in the consumption and export heavy sectors. In the commercial market, a similar program was launched to promote the local manufacturing of mobile phones and electronic components.

In 2019, India also signed a defence technology transfer agreement with the US and around 900 ToT licensing agreements had been signed as of 2019 according to a statement from Defence Minister. The Industrial Security Annex (“ISA”) provided an avenue for Indian and US private companies to work collaboratively towards developing defence technologies. The instating of internationally collaborative agreements provides future scope for DCX to explore external markets. Under the Defence Technology and Trade Initiative, India and the US have also signed three agreements in order to boost their mutual capacity for the production of critical technologies.

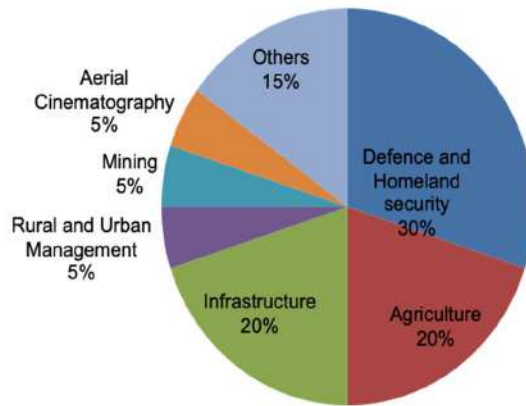
Since 2017, UK is also noted to be one of the key technology transfer partners for India. The two governments had come to an agreement in order to co-produce military platforms and weapon systems. The countries planned on positioning themselves in a strategically stronger position in the arms exports trade via this agreement.

**Opportunities for UAVs and drones in India**

***Commercial UAV Market in the Indian Context***

India serves as a lucrative market for drones owing to the increased market opportunities created by commercial and defence domain. The use of drones across commercial verticals like aerial cinematography, land survey, mining and other applications like disaster management and overseeing construction applications has led to the growth of the market. A procurement framework for usage of unmanned aerial vehicles or drones is in the works. The focus of the framework is on the commercial purposes of drone usages. The purpose of the framework is to enable public sector enterprises to decide whether they want to buy drones as equipment or use them as a service. At the beginning of 2022, the government notified the drone certification scheme in order to spur the drone manufacturing industry in the country and make certification simpler, faster and transparent.

**Sector Wise Revenue Estimates In India (2021-2026)**



Source: <https://www.businesstoday.in/magazine/technology/story/the-rise-of-the-drones-308606-2021-10-06>

**Defence UAV Market in India**

**Impact of Drone Rules 2021 on the total market**

The commercial market has been made more liberal and conducive to drones through the imposition of the Drone Rules 2021 by the Indian Government. The instating of this new policy improved Unmanned Aerial Systems (“UAS”) Rules in March 2021 which required excessive licensing as well as permissions. Roughly 10-12 licenses were required for research, development, manufacturing, importing, as well as operating drones.

**FDI Collaboration with Foreign Players**

The Indian government has strategic ties with countries including Canada, Australia, China, France, Israel, Germany, Italy, Japan, Taiwan, Russia, South Korea, Saudi Arabia, United Arab Emirates, United Kingdom and United States.

**US**

The alliance between India and the US is based on a comprehensive strategic partnership over shared democratic values. US is noted to be one of the top FDI contributors within the Indian economy. A 44% increase in FDI equity flow was noted between the Fiscal 2020-2021 as compared to Fiscal 2019-2020.

**UK**

UK and India invested roughly US\$ 30.59 billion (2000-2021) in foreign direct investment inflows. Presently, there are approximately 572 UK based companies operating within India, and they employ in excess of 400,000 people directly. UK represents roughly 5.59% of total FDI inflows. The imports from the UK were noted to attain a value of US\$ 3 billion, while the exports were noted to attain a value of US\$ 5.4 billion.

## France

India and France have been in a longstanding strategic partnership to strengthen their respective market stance in the global economy. The two nations are focused on promoting Indo-Pacific relations, intelligence and information sharing. The French government has also been supporting India in its efforts associated with Atmanirbhar Bharat. France is noted to be India’s 11<sup>th</sup> largest investor, and the cumulative FDI flows account for a value of US\$ 9978.33 million. The bilateral trade between the two nations is valued at US\$ 7.86 billion between April 2020 and Feb 2021.

## Israel

Diplomatic ties between India and Israel were established in the year 1992 formally. In Feb 1992, Israel opened its New Delhi embassy and in the same year, India opened its Embassy in Tel Aviv. Since 1992, the bilateral relationship between the two nations has flourished. Since the establishment of these embassies, the bilateral relationship between the two nations has grown stronger in military, economic, agricultural as well as political levels. India is noted to be one of the largest trading partners for Israel.

The two countries are focused on increasing innovation and cooperation through a series of strategic agreements. Israel’s Start Up National Central and India’s International Centre for Entrepreneurship and Technology (“iCreate”) signed an MoU in order to promote innovation within their markets. The evolving strategic relationship between the two nations has led Israel to becoming one of the key trading partners of for India. Several companies across both the nations have entered a Joint Venture.

Between the year 2019-2020, the trade value between India and Israel was noted to register US\$ 4.95 billion. The exports from India was valued at 67%, while the imports from Israel was noted to attain a value of 33%. Additionally, the FDI inflows from Israel were seen to attain a total value of US\$ 254.66 million between April 2000 and September 2021. Israel’s strong foothold in the aerospace and defence manufacturing domain is another factor which serves beneficial to the fast-evolving Indian defence sector. Roughly 80% of Israel’s aerospace and defence produce is exported to over 60 overseas customers, and the turnover generated by this segment is anticipated to be roughly US\$ 5 billion. In September 2021, Israel’s FDI registered a growth of 4.5% of the country’s nominal GDP. The FDI agreement between the two countries has been shown in the following Table:

**Defence FDIs, Israel and India**

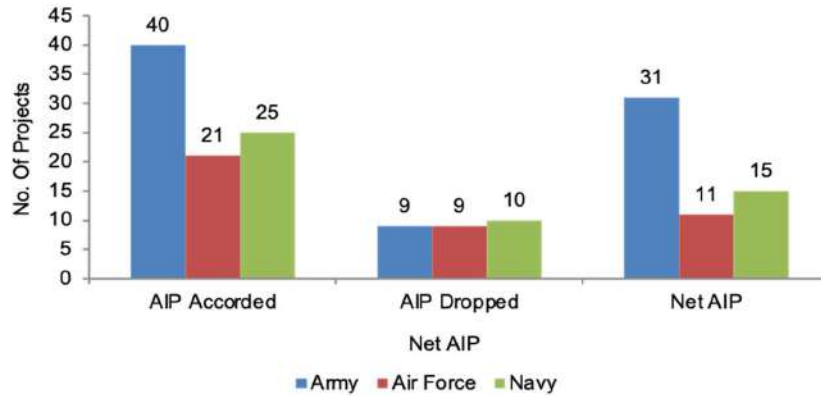
| Sector/Activity  | % of Equity/<br>FDI Cap | Entry Route   |
|--|-------------------------|---|
| Defence Industry subject to Industrial license under the Industries (Development and Regulation) Act, 1951 and Manufacturing of small arms and ammunition under the Arms Act, 1959 | 100%                    | Automatic up to 74%<br>Government route beyond 74% wherever it is likely to result in access to modern technology or for other reasons to be recorded |

In November 2020, India and Israel signed an MoU which entailed mutual co-operation of the two countries in the Healthcare and Medicine domain. The agreement is aimed at promoting research in relevant areas, in addition to exchange of medical resources and setting up of healthcare facilities.

## Growth Drivers

### *Current and Expected Order Pipeline*

#### **Program Mapping Make- II Projects as per DAP**



Source: Indian Ministry of Defence

### COMPETITIVE PROFILE

The Indian Defence sector is entering a self-sustaining and highly indigenous market with DPSUs and companies shifting towards becoming component suppliers, integrators, as well as defence prime. The key competitors for DCX in the Indian market are discussed in this section.

The steps taken by the Government to indigenous Defence production capability within India has helped the SMEs in this sector to generate more business. The Indian companies that have gained significant experience in the Indian market are also offset fulfilment partners to foreign players. The next objective of the Indian players is to move towards full system manufacturers, for example a company specializing in the development of RF components would further build complete radar systems. This section covers in detailed the key competitors of DCX.

#### Capability Comparison Of DCX And Competition

| SL.No | Peer Entity/Capability Matrix         | System Integration | Cable & Wire Harness Assembly | MRO | EM6 | Electro-Mechanical Assembly |
|-------|---------------------------------------|--------------------|-------------------------------|-----|-----|-----------------------------|
| 1     | DCX SYSTEMS LIMITED                   | ✓                  | ✓                             | ✓   | ✓   | ✓                           |
| 2     | ASTRA MICROWAVE PRODUCTS LIMITED      | ✓                  | ✗                             | ✓   | ✓   | ✓                           |
| 3     | ALPHA DESIGN TECHNOLOGIES PVT LTD     | ✓                  | ✗                             | ✓   | ✗   | ✓                           |
| 4     | BHARAT ELECTRONICS LIMITED -BANGALORE | ✓                  | ✗                             | ✓   | ✗   | ✓                           |
| 5     | CENTUM ELECTRONICS                    | ✗                  | ✗                             | ✗   | ✓   | ✓                           |
| 6     | CYIENT DUM PVT LTD                    | ✓                  | ✓                             | ✗   | ✓   | ✓                           |
| 7     | SASMOS HET TECHNOLOGIES               | ✗                  | ✓                             | ✗   | ✗   | ✗                           |
| 8     | ALMPHENOL INTERCONNECT INDIA PVT LTD  | ✗                  | ✓                             | ✗   | ✗   | ✗                           |
| 9     | DATA PATTERNS PVT LTD                 | ✓                  | ✗                             | ✗   | ✓   | ✓                           |
| 10    | HELA SYSTEMS PVT LTD                  | ✓                  | ✗                             | ✓   | ✗   | ✓                           |
| 11    | KAYNES TECHNOLOGY INDIA PVT LTD       | ✗                  | ✗                             | ✗   | ✓   | ✗                           |
| 12    | ROSSEL TECHSYS                        | ✓                  | ✓                             | ✗   | ✓   | ✓                           |
| 13    | APOLLO MICRO SYSTEMS                  | ✗                  | ✗                             | ✗   | ✓   | ✓                           |
| 14    | PARAS DEFENCE                         | ✓                  | ✗                             | ✗   | ✓   | ✓                           |

DCX is uniquely positioned to partner with major government and Private Indian/ global defence entities, and to independently seize future defence manufacturing and integration related opportunities because of its strong

capabilities across the five inter-related segments – System Integration, Cable and Wire Harness Assembly and Electro Mechanical Assembly. The company also plans to expand into MRO and EMS segments in the short term. This broad-based capability mix is highly sought after, especially by foreign OEMs looking for strong offset partners in India for major defence contracts, and is one of the reasons why global defence primes continue to seek out DCX as a key partner to tap the Indian defence market.

**Earnings before interest, depreciation, taxes and amortization (EBIDTA)** indicates the company’s performance and is calculated by subtracting interest on debt financing, depreciation on assets and equipment, taxes and amortization.

**Return on Capital Employed (RoCE)** is a measure of how effectively a company has used its capital. The formula used to calculate RoCE is Operating Income/ Capital Employed.

**Return on Equity (RoE)** measures the return stockholders of a company get on their shareholding. The formula used for calculation is Net Income/ Shareholder’s Equity.

#### Financial Data for Companies, Fiscal 2020

| Fiscal 2020                              |                 |                   |                        |        |                   |          |         |
|--|-----------------|-------------------|------------------------|--------|-------------------|----------|---------|
| Company                                  | Revenues (₹ Cr) | Net Profit (₹ Cr) | Net Profit/Revenue (%) | EBITDA | EBITDA Margin (%) | RoCE (%) | RoE (%) |
| Amphenol Interconnect                    | 988.4           | 186.1             | 0.2                    | 23     | 2.3               | NA       |         |
| TE Connectivity India                    | 1,031.5         | 14.2              | 0.01                   | 62.5   | 6                 | NA       |         |
| Rossell Techsys                          | NA              |                   |                        |        |                   |          |         |
| Sasmos HET Technologies                  | 8.8             | 0.8               | 9.2                    | 0.2    | NA                |          |         |
| Data Patterns                            | 156.1           | 21.1              | 13.5                   | 47     | 29.5              | 23.4     | 13.7    |
| Astra Microwave Products                 | 462             | 47                | 10.2                   | 90     | 19                | 13       | 8.5     |
| Apollo Micro Systems                     | 203.1           | 10                | 5.1                    | 39     | 19.3              | -0.5     | 3.4     |
| Alpha Design Technologies                | 399             | 10.4              | 2.6                    | 10.4   | 1.3               | 0.1      | 42.8    |
| Centum Electronics                       | 486             | 25.0              | 5.2                    | 75.6   | 15.6              | 23.6     | 10.6    |
| Paras Defence and Space Technologies Ltd | 149             | 19.7              | 13.2                   | 27.01  | 14.9              | 16       | 45.7    |
| BEL                                      | 12,921          | 1,794             | 13.9                   | 2,734  | 21                | 26       | 18      |
| DCX                                      | 449.3           | 9.7               | 2.1                    | 30.5   | 6.8               | 19.2     | 56.8    |

#### Financial Data for Companies, Fiscal 2021

| Fiscal 2021             |                 |                   |                        |        |                   |          |         |
|-------------------------|-----------------|-------------------|------------------------|--------|-------------------|----------|---------|
| Company                 | Revenues (₹ Cr) | Net Profit (₹ Cr) | Net Profit/Revenue (%) | EBITDA | EBITDA Margin (%) | RoCE (%) | RoE (%) |
| Amphenol Interconnect   | NA              |                   |                        |        |                   |          |         |
| TE Connectivity India   | NA              |                   |                        |        |                   |          |         |
| Rossell Techsys         | NA              |                   |                        |        |                   |          |         |
| Sasmos HET Technologies | NA              |                   |                        |        |                   |          |         |
| Data Patterns           | 224             | 55.6              | 24.8                   | 92     | 41.8              | 31       | 38      |

|   |        |       |       |          |      |      |      |
|---|--------|-------|-------|----------|------|------|------|
| <b>Astra Microwave Products</b>                 | 589    | 24    | 4.1   | 75.9     | 11   | 9.4  | 2.6  |
| <b>Apollo Micro Systems</b>                     | 203.7  | 10.3  | 5.0   | 39.2     | 19.2 | 9.5  | 3.2  |
| <b>Alpha Design Technologies</b>                | NA     |       |       |          |      |      |      |
| <b>Centum Electronics</b>                       | 428    | 23    | 5.4   | 66.3     | 15.5 | 18.3 | 9.4  |
| <b>Paras Defence and Space Technologies Ltd</b> | 143.33 | 15.79 | 11.01 | 43.4     | 30.3 | 13.4 | 4.2  |
| <b>BEL</b>                                      | 14,064 | 2065  | 14.68 | 3,181.12 | 23   | 23.9 | 7.1  |
| <b>DCX</b>                                      | 641.2  | 29.6  | 4.3   | 10.1     | 1.6  | 4.2  | 63.2 |

#### Financial Data for Companies, Fiscal 2022

| Fiscal 2022                                     |                 |                   |                        |        |                   |          |         |
|---|-----------------|-------------------|------------------------|--------|-------------------|----------|---------|
| Company   | Revenues (₹ Cr) | Net Profit (₹ Cr) | Net Profit/Revenue (%) | EBITDA | EBITDA Margin (%) | RoCE (%) | RoE (%) |
| <b>Amphenol Interconnect</b>                    | NA              |                   |                        |        |                   |          |         |
| <b>TE Connectivity India</b>                    | NA              |                   |                        |        |                   |          |         |
| <b>Rossell Techsys</b>                          | NA              |                   |                        |        |                   |          |         |
| <b>Sasmos HET Technologies</b>                  | NA              |                   |                        |        |                   |          |         |
| <b>Data Patterns</b>                            | 311             | 94                | 30.2                   | 141    | 45.4              | 24       | 33      |
| <b>Astra Microwave Products</b>                 | 735             | 40                | 5.4                    | 94.9   | 12.9              | 15.9     | 8.8     |
| <b>Apollo Micro Systems</b>                     | 243.9           | 14.6              | 6.1                    | 38.5   | 15.8              | 11.6     | 4.5     |
| <b>Alpha Design Technologies</b>                | Unavailable     |                   |                        |        |                   |          |         |
| <b>Centum Electronics</b>                       | 353             | 11.8              | 3.3                    | 48.3   | 13.7              | 11.7     | 4.4     |
| <b>Paras Defence and Space Technologies Ltd</b> | 182.5           | 26.9              | 14.8                   | 51.85  | 28.4              | 10.4     | 9.3     |
| <b>BEL</b>                                      | 15,314          | 2349              | 15.3                   | 3,309  | 21.6              | 26.2     | 19.6    |
| <b>DCX</b>                                      | 1,102           | 65.61             | 5.95                   | 83.87  | 7.61              | 13.15    | 55.80   |

- In Fiscals 2020, 2021 and 2022, DCX's revenue from operations were, ₹ 4,492.62 million, ₹ 6,411.63 million and ₹ 11,022.73 million, respectively.
- DCX has witnessed consistent and extraordinary improvement in their balance sheet position in the last three Fiscals.
- The value of DCX's total owned assets have grown from ₹ 6,988.47 million, as of March 31, 2020 and to ₹ 7,931.78 million, as of March 31, 2021 and was ₹ 9,426.15 million as of March 31, 2022.
- Among the companies assessed DCX has a revenue CAGR of 56.64% between Fiscal 2020 and Fiscal 2022, indicating that the firm is a rapidly growing company in the Indian defence space. Also, DCX has also shown the highest RoE metric for the same time frame, indicating consistent return on shareholder's equity, surpassing the other firms compared.

## OUR BUSINESS

*Some of the information in this section, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read “Forward-Looking Statements” on page 16 for a discussion of the risks and uncertainties related to those statements and also “Risk Factors”, “Restated Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 27, 233 and 299, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.*

*The consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 are not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021 given that we did not have any subsidiary in such prior periods. Further, unless otherwise indicated or the context otherwise requires, all operational information included herein for Fiscals 2020 and 2021 and the three months ended June 30, 2021 is on a standalone basis, while all such information for the three months ended June 30, 2022 and Fiscal 2022 is on a consolidated basis. For further information, see “Restated Financial Information” on page 233.*

*Unless otherwise indicated, industry and market data used in this section has been derived from the industry report titled “The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment” dated September 19, 2022 (the “**Company Commissioned F&S Report**”) prepared and issued by Frost & Sullivan (India) Private Limited, appointed by us on January 7, 2022, and exclusively commissioned and paid for by us for the purposes of confirming our understanding of the industry, exclusively in connection with the Offer. A copy of the Company Commissioned F&S Report is available on the website of our Company at <https://dexindia.com/investors>. The data included herein includes excerpts from the Company Commissioned F&S Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Offer), that has been left out or changed in any manner. Unless otherwise indicated, financial, operational, industry and other related information derived from the Company Commissioned F&S Report and included herein with respect to any particular year refers to such information for the relevant calendar year. For more information, see “Risk Factors – Industry information included in this Red Herring Prospectus has been derived from an industry report prepared by Frost & Sullivan (India) Private Limited exclusively commissioned and paid for by us for such purpose.” on page 54. Also see, “Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data” on page 14.*

## OVERVIEW

We are among the leading Indian players for the manufacture of electronic sub-systems and cable harnesses in terms of manufacturing capability and revenue in Fiscal 2022 in the defence and aerospace sector (*Source: Company Commissioned F&S Report*). We are primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harness assemblies and are also involved in kitting. We commenced operations in 2011 and have been a preferred Indian Offset Partner (“**IOP**”) for foreign original equipment manufacturers (“**OEMs**”) for executing aerospace and defence manufacturing projects (*Source: Company Commissioned F&S Report*). We are a rapidly growing company in the Indian defence space (*Source: Company Commissioned F&S Report*) and our revenue from operations have grown at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. We are also one of the largest Indian Offset Partner (“**IOP**”) for ELTA Systems Limited and Israel Aerospace Industries Limited, System Missiles and Space Division (together, the “**IAI Group**”), Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. Over the years, we have expanded our manufacturing capabilities and grown our order book.

The growing Indian landscape for defence and aerospace serves as a key opportunity for our Company. The Indian aerospace and defence sector is poised to attain a value of USD 70 billion by 2030. Recent initiatives like increase in foreign direct investment (“**FDI**”) in the Indian defence sector from the current 49% to 74% under the automatic route is anticipated to be a key driver and growth opportunity for the market. The Defence Research and Development Organization has announced the indigenous development of roughly 108 systems and sub-systems which is expected to generate demand for cables and connectors across the Indian defence environment. The Indian government has also banned approximately 101 items within the defence-based imports segment and have also introduced the third positive indigenization list that bans the import of 780 LRU/components. These initiatives are expected to boost indigenous manufacturing within India. The instating of defence industry corridors across Uttar Pradesh and Tamil Nadu is also poised to improve the market growth dynamics by

broadening the opportunities offered to the private sector. (Source: Company Commissioned F&S Report) All of these in turn, serve as an opportunity for us to capitalize on the expected growth in this space.

We believe, our competitive advantages include our efficiency in operations resulting in timely delivery to our customers, maintaining quality control and product security. This has enabled us to develop long-term and entrenched relationships with our OEM customers that has resulted in growth in our operations and sizeable order book. We expect that our quality management systems will enable our system driven efficiency and continue to attract higher revenues going forward. Given the nature of our operations and industry that we operate in, projects have long lead times (Source: Company Commissioned F&S Report) and, as such, visibility and predictability of our revenues is high. Our Company's order book has increased from ₹ 19,413.11 million, as of March 31, 2020 to ₹ 23,690.04 million, as of March 31, 2022. As of June 30, 2022, our order book was ₹ 25,636.34 million to be executed in the Fiscal 2023 to Fiscal 2025.

We classify our operations under the following business verticals:

*System Integration:* We undertake system integration in areas of radar systems, sensors, electronic warfare, missiles, and communication systems. We provide product assembly and system integration services of various complexities to address customers' requirements. System integration services are part of a comprehensive array of electronics and electro-mechanical assembly and enclosure assembly. We also provide product repair support for the parts that we manufacture.

*Cable and Wire Harness Assemblies:* We manufacture a comprehensive array of cables and wire harnesses assemblies such as radio frequency cables, co-axial, mixed signal, power, and data cables for a variety of uses including communication systems, sensors, surveillance systems, missile systems, military armored vehicles, and other electronic warfare systems for the aerospace and defence industries as per our customers' requirements.

*Kitting:* We supply assembly ready kits of electronic and electro-mechanical parts and undertake all aspects of procurement including sourcing components from suppliers approved by our customer along with a 'Certificate of Compliance' for traceability, controlled storage of moisture sensitive devices to ensure that customers receive complete, assembly-ready kits when required when they are needed for production.

In addition, we also undertake certain job work services that includes assembly and testing of materials that have been supplied directly by our customers.

The table below shows our revenue from operations for the periods indicated as per our business verticals:

| Verticals                            | Fiscal             |   |                    |   |                    |   | Three months ended June 30, |   |                    |   |
|--------------------------------------|--------------------|---|--------------------|---|--------------------|---|-----------------------------|---|--------------------|---|
|                                      | 2020               |   | 2021               |   | 2022               |   | 2021                        |   | 2022               |   |
|                                      | (Standalone)       |   |                    |   | (Consolidated)     |   | (Standalone)                |   | (Consolidated)     |   |
|                                      | Amount (₹ million) | Percentage of Revenue from Operations (%) | Amount (₹ million) | Percentage of Revenue from Operations (%) | Amount (₹ million) | Percentage of Revenue from Operations (%) | Amount (₹ million)          | Percentage of Revenue from Operations (%) | Amount (₹ million) | Percentage of Revenue from Operations (%) |
| System Integration *                 | 3,717.65           | 82.75%                                    | 6,160.67           | 96.09%                                    | 9,398.65           | 85.27%                                    | 1,081.05                    | 87.95%                                    | 2,055.02           | 96.36%                                    |
| Cable and Wire Harness Assemblies ** | 333.14             | 7.42%                                     | 195.84             | 3.05%                                     | 298.14             | 2.70%                                     | 42.87                       | 3.49%                                     | 69.16              | 3.24%                                     |
| Kitting                              | 441.83             | 9.83%                                     | 55.12              | 0.86%                                     | 1,325.94           | 12.03%                                    | 105.22                      | 8.56%                                     | 8.36               | 0.40%                                     |
| <b>Total</b>                         | <b>4,492.62</b>    | <b>100.00%</b>                            | <b>6,411.63</b>    | <b>100.00%</b>                            | <b>11,022.73</b>   | <b>100.00%</b>                            | <b>1,229.14</b>             | <b>100.00%</b>                            | <b>2,132.54</b>    | <b>100.00%</b>                            |

\* Includes Merchandise Exports from India Scheme ("MEIS") incentive of ₹ 60.93 million, ₹ 28.28 million and ₹ 28.61 million, in Fiscal 2020, 2021 and 2022 and ₹ nil and ₹ nil, respectively in the three months ended June 30, 2021 and June 30, 2022.

\*\* Includes MEIS incentive of ₹ 5.83 million, ₹ 0.03 million and ₹ nil in Fiscal 2020, 2021 and 2022 and ₹ nil and ₹ nil, respectively in the three months ended June 30, 2021 and June 30, 2022.

We operate through our manufacturing facility located at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka. Our facility is spread over an area of 30,000 square feet and is set up for complete in-house environmental and electrical testing and wire processing. The location of our facility is in the same city as certain



of our key domestic customers like Bharat Electronics Limited, Alpha Design Technologies Private Limited, Alpha Elsec Defence and Aerospace Systems Private Limited and Centum Adeno India Private Limited which, we believe, ensures shorter delivery time.

As of June 30, 2022, we had 26 customers in Israel, United States, Korea and India, including certain Fortune 500 companies, multinational corporations and start-ups. Our customers include domestic and international OEMs, and private companies and public sector undertakings in India across different sectors, ranging from defence and aerospace to space ventures and railways. We have a mix of domestic and international customers and certain of our key customers include Elta Systems Limited, Israel Aerospace Industries Limited – System Missiles and Space Division, Bharat Electronics Limited, Astra Rafael Comsys Private Limited, Alpha-Elsec Defense and Aerospace Systems Private Limited, Alpha Design Technologies Private Limited, Astra Microwave Products Limited, Kalyani Rafael Advanced Systems Private Limited, SFO Technologies Private Limited and DCX-Chol Enterprises Inc.

We are led by experienced Promoters and a qualified senior management team with significant experience in the aerospace and defence manufacturing industry. Dr. H.S. Raghavendra Rao, our Individual Promoter, Chairman and Managing Director, has over two decades of experience in electronics manufacturing and in the defence and aerospace sectors. Neal Jeremy Castleman, our Non-Independent and Non-executive Director, has a vast experience of more than two decades in the field of electronic manufacturing sectors. Our senior management team have demonstrated ability to anticipate and capitalize on changing market trends, manage and grow our operations and leverage and deepen customer relationships.

## STRENGTHS

### *Among the preferred Indian Offset Partners for the defence and aerospace industry with global accreditations*

We are a preferred IOP for foreign OEMs for executing defence manufacturing projects (*Source: Company Commissioned F&S Report*). We undertake “build-to-print” system integration and manufacture cable and wire harness assemblies for both domestic and international OEMs. We are also one of the largest IOP for the IAI Group, Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. We hold a number of key certifications that include AS-9100:2016 certification for quality management systems for aviation, space and defense products manufacturing and our Defence Industrial License from the Ministry of Commerce and Industry, Government of India for the manufacture of defence subsystems that includes microwave components, modules for radar and electronic warfare subsystems, microwave sub-modules, for command and guidance units for missile subsystems only. We also adhere to global standards and have obtained various global certifications. These certifications ensure that our processes comply with customer specific, industry specific, statutory health and safety, as well as environmental and social and governance requirements. Certain of these standards also require us to undergo audits. Our global certifications help us serve our customers’ stringent quality specifications and assists in new customer acquisition.

As part of our system integration services, our strength includes the manufacturing of complex microwave modules and sub-systems such as transmit receiver modules, receiver subsystems, and antennas used in military applications, space technology and aerospace. We are also engaged in manufacturing a comprehensive array of cables and wire harnesses assemblies such as radio frequency co-axial, mixed signal, power, data and communication cables for a variety of uses including communication systems, sensors, surveillance systems, missile systems, military armored vehicle, and other electronic warfare systems.

The table below sets forth certain information regarding the various projects that we have been involved in, as of June 30, 2022:

| Product / Description  | Vertical               | Offset Value (₹ million) |
|--|------------------------|--------------------------|
| MRSAM / LRSAM - Transmit receiver group module   | System Integration     | 14,446.96                |
| PIDS – Dual transmit receiver module   | System Integration     | 4,020.16                 |
| Air Defence Fire Control Radar - Antenna unit / radar processing unit / transmitter receiving unit | System Integration     | 1,007.90                 |
| High Power Radars - Dual transmitter receiver module   | System Integration     | 518.40                   |
| Thermal Imager Fire Control System   | Cable and wire harness | 178.08                   |
| Long Range Reconnaissance and Observation System   | Cable and wire harness | 90.78                    |
| Thermal Imager Standalone Kit  | Cable and wire harness | 65.58                    |
| Barak-1 and Barak-8 Missile Systems  | Cable and wire harness | 51.01                    |

| Product / Description                       | Vertical               | Offset Value (₹ million) |
|---|------------------------|--------------------------|
| Commander Open Architecture Panoramic Sight | Cable and wire harness | 35.40                    |

We have submitted our acceptance to act as the IOP for upcoming projects for several electronic assemblies, automatic missile detection radars, HERON unmanned aerial vehicle systems, Barak systems, medium range maritime reconnaissance aircraft and short range surface to air missile. We believe, we have, over the years, established and refined our agile assembly, configuration, and testing processes to maintain our focus on quality products and timing of delivery to our customers. We have a team of skilled professionals with experience in the field of engineering, supply chain management, human resources and administration, finance and legal compliance to address the requirements of our customers. We aid our customers by performing activities, including sourcing, purchasing and logistics and development of vendor eco-system both domestically and globally. We have also developed a set of vendors domestically in areas of mechanical components, test fixtures, high-end packaging, special coatings and chemical conversions.

We are focussed on providing our customers with quality products that are manufactured to meet their specifications. The value of customer orders has been increasing and increased from an order size of ₹ 19,413.11 million in Fiscal 2020 to an order size of ₹ 23,690.04 million in Fiscal 2022 and was ₹ 27,468.90 million and ₹ 25,636.34 million in the three months ended June 30, 2021 and June 30, 2022, respectively. We have established long-term relationships with our key customers and the average period of business relationship with our top three customers is over five years. We believe that our long-standing relationship with our customers has enabled us to be among their preferred suppliers.

#### ***Technology enabled and scalable end-to-end capabilities***

Our system integration services are a part of an array of electronic, electro-mechanical and wired assemblies, and full-system integration services, which can be configured as per our customers requirements. As part of our system integration services, we also do in-house testing to ensure the quality of our final products, and reliability of our products' functioning under varying environmental conditions. We also specialise in manufacturing assemblies that are used in applications for land, underwater and airborne use. We possess the skillset and technology to manufacture cable and wire harnesses according to customer requirements for various types including radio frequency, coaxial, mixed signal, power, data, submergible, twinnax cables, shielded cable harness, flexible cables and open and closed type harnesses used in aerospace and defence and other allied segments of the industry. We also manufacture test cables, large mechanical jigs and fixtures, and testing programs to meet desired requirements of customer in testing and qualifying the product. In addition, our products are also subjected to various quality assurance tests.

Our manufacturing process allows us to manufacture our products according to the specific requirements and quality expectations of our customers maintaining the required quality standards. Most of the products are manufactured by our skilled workforce and checked by the test equipment to handle manufacturing of proprietary and classified products, the designs of which are provided to us by our OEM customers. We provide 12 months warranty to our customers for our system integration and cable and wire harness services. We have supplied over 10,000 units in the last three Fiscals and in the three months ended June 30, 2022 and have to date not incurred any warranty claims. Our operations are certified with IPC-A-610 for electronic assemblies, IPC-620 for cable and wire harness assemblies and J-STD-001 for soldered electrical and electronic assemblies to meet the quality manufacturing standards of the aerospace and defence industry. Our customers conduct training for our employees at our facility. We also conduct training programs for our employees with a view of skill enhancement.

We believe that our investment in infrastructure, maintaining quality standards, enabling timely and adequate working capital limits and continuously upgrading skills and resources has enabled us to scale our operations over the years. Our scalability is demonstrated by revenues. Our revenue from operations have increased at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. Further, in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, our capital expenditure towards additions to fixed assets (property, plant and equipment's and intangible assets) were ₹ 102.83 million, ₹ 15.84 million, ₹ 16.16 million, ₹ 0.24 million and ₹ 0.45 million, respectively. We believe we possess the flexibility to scale in terms of capacity expansion without incurring significant capital expenditure.

We have developed our supply chain for sourcing raw materials used to manufacture our products. Essential raw materials required to manufacture our cable and wire harnesses and system integration are majorly in the form of electronic assemblies and sub-systems such as printed circuit board assemblies, cables and wires, sensors, cable

ties, circular connectors and mechanical enclosures. We typically source our raw materials from suppliers approved by our customers. We believe we have maintained strong relationships with our suppliers by working closely with them to meet customer schedules, inventory management to minimize dead inventories and discussions to improve the quality of raw materials supplied. The average period of our relationship with our top five suppliers is six years. For further information, see “ – Raw Materials” on page 183.

***Business model with visibility of cash flows and ability to mitigate operational and technology risk***

Our product portfolio backed by our system integration and manufacturing capabilities has led to our order book growing from 45 orders aggregating ₹ 19,413.11 million, as of March 31, 2020 to 48 orders aggregating ₹ 23,690.04 million, as of March 31, 2022. As of June 30, 2022, our order book comprised 42 orders and was ₹ 25,636.34 million with orders from several customers for projects to be executed in Fiscal 2023 to Fiscal 2025. We believe our competitive advantages include efficiency in operations resulting in timely delivery to customers, maintaining quality control and product security. This has enabled our Company to develop long-term and entrenched relationships with OEM customers that has resulted in growth in our operations and sizeable order book.

Our manufacturing activity is obsolescence-proof as the technology coupled with intellectual property rights, both vest with our OEM customers. Further, our in-house team monitors the obsolescence factor and provides feedback to our OEM customers for suitable action including drop-in replacements. Our OEM customers also provide training at their facilities to our employees. In our system integration projects that are high value, intellectual property-sensitive and classified, we perform risk mitigation including handling of our finished goods under special standard operating procedure provided by customers which includes a dedicated vehicle with freight forwarders to escort the consignment from our premises to dedicated area in airport. This enables security of classified products till they reach the end-customer in various locations. For certain products which do not meet the required specification after subjecting them for the defined testing processes, we are able to rectify the failure based on available technical data and our expertise. For products where the failure cannot be identified with available technical data and those that require core design data for further analysis, our OEM customers permit us to ship the product in an as-is condition which improves our inventory position and ensures cash flows. Our capital expenditure requirement on such projects significantly reduces as our customers provide us with equipment required for testing and qualifying the customised products. Our customers typically reimburse us for costs incurred to maintain all buyer furnished equipment to use in manufacturing and qualifying the products in serviceable condition. As of June 30, 2022, we held ₹ 932.36 million worth of equipment provided to us by our customers, and such equipment can be used for similar projects, subject to approval from such customers. Suppliers of our raw materials for a particular project are approved and determined by our customers prior to commencement of the project. Our Company and our customer jointly monitor and ensure the quality of items. Our customers also provide technical training to our employees to ensure efficient project execution.

***Strategically located in aerospace Special Economic Zone with an advanced and modern manufacturing facility***

In 2020, we commissioned our new manufacturing facility at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka. Our facility is spread over an area of 30,000 square feet and is located in the same city as our key domestic customers which ensures shorter delivery times. The facility is secured by digital security cameras coupled with alarm systems with restricted access control for individual manufacturing divisions. Our facility is situated within a SEZ that offers us duty free imports, exemption from GST and supplies that are zero rated under extant regulations. Being situated in an SEZ ensures that we are also not subject to levies imposed by the state government and our operations are eligible for single-window clearance by the relevant authority.

Our facility is equipped with advanced machinery and equipment including laser wire maker, automatic wire cutting and stripping machine, coaxial stripping machine, crimp tools, controlled torque tools, vacuum pump and desiccator, tinned welding machine and temperature controlled soldering station. Our facility is set up for complete in-house environmental and electrical testing and contains the latest inspection and testing equipment. Our manufacturing line and equipment meets the standards prescribed by the Institute for Printed Circuit (“IPC”). We manage our operations through an enterprise resource planning system.

A majority of our finished goods are handled under special standard operating procedure mandated by our customers which includes transporting the consignment from our premises to the airport with a dedicated vehicle with freight forwarders. This enables security of classified products till it reaches the customers in various locations.

### ***Well-positioned to capitalize on industry tailwinds***

There is a strong focus and various initiatives by the Government of India in the aerospace and defence sectors and in particular for private players including micro, small and medium enterprises. India’s defence budget outlay for Fiscal 2023 is ₹ 5,250 billion, the annual budget representing a 10% increase over the budget of ₹ 4,780 billion in Fiscal 2022. The Indian Defence private sector has witnessed a substantial growth owing to the implementation of government reforms. In Fiscal 2022, 2021 and Fiscal 2020, private players in the Indian defence sector accounted for 70%, 86% and 88%, respectively, of the exports generated. Private players like us plays an important role in meeting the offset obligations and helping the goals set by the Government of India with reference to be a US\$ 5 Billion export country by 2025. (Source: *Company Commissioned F&S Report*) In Fiscal 2022, we exported US\$ 76 million worth of equipment accounting for 4.7% of the overall Defence Exports from India. (Source: *Company Commissioned F&S Report*) The Defence Acquisition Policy 2020 (“DAP 2020”) has extended avenues for extending offsets, providing foreign businesses direct credit for transferring vital technologies to the Indian economy. The DAP 2020 ensures that large number of innovations utilised in defence equipment are now available to private entities. With defence public sector undertakings focussing on specialisation and integration and sub-component manufacture being outsourced to the private sector, there are significant opportunities for the private sector. (Source: *Company Commissioned F&S Report*)

We have established a leadership position in the Indian aerospace and defence industry amongst other companies, in the segment of system integration business as a result of our operating history and the experience of our management team (Source: *Company Commissioned F&S Report*). We believe that our in-depth knowledge base and understanding of the aerospace and defence industry, particularly in India positions us to take advantage of the growth in these sections. Our relationships with OEMs serves as a strategic advantage in catering to government contracts. As a Defence Industrial Licence holder for microwave modules for radar and electronic warfare sub-systems, microwave modules for command and guidance units for missile sub-systems, we are well-positioned to take advantage and potential of various initiatives by the Government of India set out below.

| <b>Measure</b>                                     | <b>Description</b>  |
|--|---|
| Positive Indigenisation List                       | To incentivise domestic production and limit imports, the Defence Ministry has banned the import of 209 defence related equipment and components. Services can only source the listed equipment from Indian vendors. Equipment covered includes segments such as electronic warfare, sensors, radars, unmanned aerial systems, amongst others. The Government has also introduced the 3rd positive indigenisation list that bans the import of 780 LRU items that will going forward have to be procured from the domestic industrial base. This will drive further development of the domestic Indian defence industry. (Source: <i>Company Commissioned F&amp;S Report</i> ). |
| Budget Allocations                                 | 68% of capital procurement budget has been earmarked for domestic defence procurement for Fiscal 2022 to 2030. (Source: <i>Company Commissioned F&amp;S Report</i> ).   |
| Corporatisation of Ordnance Factory Board (“OFBs”) | The government aims to corporatize OFBs in a bid to improve production efficiency and transparency. There are 41 ordnance factories in India, which source components from Tier 2 and Tier 3 suppliers (Source: <i>Company Commissioned F&amp;S Report</i> ).   |
| FDI  | The FDI limit under the automatic route has been increased from the current 49% to 74%. The increase will encourage foreign manufacturers to invest in India with confidence as they will have a controlling stake in a joint venture (Source: <i>Company Commissioned F&amp;S Report</i> ).  |
| Indian Offset – Self Reliant                       | This measure encompasses design, development, and manufacture as part of its mandate, and encourage OEMs and design firms to form long term partnerships with India’s defence sector (Source: <i>Company Commissioned F&amp;S Report</i> ).   |

### ***Track record of consistent financial performance***

We have been delivering consistent financial performance, despite the impact of the COVID-19 pandemic on our business operations. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, our revenue from operations were ₹ 4,492.62 million, ₹ 6,411.63 million ₹ 11,022.73 million, ₹ 1,229.14 million and ₹ 2,132.54 million, respectively. Our revenue from operations grew at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. We have witnessed consistent improvement in our balance sheet position in the last three Fiscals and in the three months ended June 30, 2021 and June 30, 2022. Our total assets have grown from ₹ 6,988.47 million, as of March 31, 2020 to ₹ 9,426.15 million, as of March 31, 2022, respectively and was ₹ 7,634.12 million, as of June 30, 2021 and ₹ 10,116.05 million, as of June 30, 2022.

The following table sets forth certain key financial performance indicators as of and for the periods indicated:

| Particulars                                      | As of and for the years ended March 31, |          |                | CAGR (Fiscal 2020 to Fiscal 2022) | For the three months ended June 30, |                |
|--|---|----------|----------------|-----------------------------------|-------------------------------------|----------------|
|  | 2020                                    | 2021     | 2022           |                                   | 2021                                | 2022           |
|  | (Standalone)                            |          | (Consolidated) |                                   | (Standalone)                        | (Consolidated) |
|  | (₹ million, except percentages)         |          |                |                                   |                                     |                |
| Total Income                                     | 4,652.29                                | 6,832.42 | 11,243.34      | 55.46%                            | 1,286.86                            | 2,202.54       |
| Revenue from Operations                          | 4,492.62                                | 6,411.63 | 11,022.73      | 56.64%                            | 1,229.14                            | 2,132.54       |
| EBITDA <sup>(1)</sup>                            | 305.13                                  | 100.80   | 838.73         | 65.79%                            | 58.60                               | 173.56         |
| EBITDA Margin <sup>(2)</sup>                     | 6.79%                                   | 1.57%    | 7.61%          | 5.87%                             | 4.77%                               | 8.14%          |
| Adjusted EBITDA <sup>(3)</sup>                   | 452.00                                  | 324.76   | 1,058.97       | 53.06%                            | 116.27                              | 243.45         |
| Adjusted EBITDA Margin <sup>(4)</sup>            | 9.72%                                   | 4.75%    | 9.42%          | (1.56)%                           | 9.03%                               | 11.05%         |
| Profit for the year/period                       | 97.44                                   | 295.58   | 656.08         | 159.48%                           | 33.45                               | 55.68          |
| Profit for the year/period Margin <sup>(5)</sup> | 2.09%                                   | 4.33%    | 5.84%          | 67.16%                            | 2.60%                               | 2.53%          |
| ROE <sup>(6)</sup>                               | 56.75%                                  | 63.18%   | 55.79%         | (0.85)%                           | 6.68%                               | 4.52%          |
| ROCE <sup>(7)</sup>                              | 19.19%                                  | 4.16%    | 13.15%         | (17.22)%                          | 3.27%                               | 2.71%          |
| Adjusted ROCE <sup>(8)</sup>                     | 28.86%                                  | 16.33%   | 16.70%         | (23.93)%                          | 6.80%                               | 3.84%          |
| Debt / Equity                                    | 7.80                                    | 2.91     | 4.27           | (26.01)%                          | 2.25                                | 4.05           |

Notes:

1. EBITDA is calculated as profit before exceptional items and tax plus finance costs, depreciation and amortization expenses less other income and plus foreign exchange loss. Other income includes (i) interest income on fixed deposits; (ii) unwinding of interest on security deposit; (iii) income from foreign exchange fluctuation; (iv) gain on termination of lease; (v) income from mutual funds; (vi) income arising from fair valuation of asset through profit and loss; and (vii) other income on account of incentives received pursuant to the Pradhan Mantri Rojgar Protsahan Yojana.
2. EBITDA Margin is calculated as EBITDA divided by revenue from operations.
3. Adjusted EBITDA is calculated as EBITDA plus interest on fixed deposits.
4. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by total income.
5. Profit for the year/period Margin is calculated as profit after tax divided by total income.
6. ROE is calculated as profit after tax divided by Net Worth. Net Worth is total equity.
7. ROCE is calculated as EBIT / Capital Employed. EBIT is calculated as EBITDA less depreciation and amortization expenses. Capital Employed is total assets less the sum of current liabilities and current investments.
8. Adjusted ROCE is calculated as Adjusted EBIT / Capital Employed. Adjusted EBIT is calculated as Adjusted EBITDA less depreciation and amortization expenses. Capital Employed is total assets less the sum of current liabilities and current investments.

### **Experienced and qualified Promoters and senior management team supported by a committed employee base**

We possess a qualified senior management team with considerable industry experience. Our Promoter, Chairman and Managing Director, Dr. H.S. Raghavendra Rao, is an industry veteran with over two decades of experience in electronic manufacturing and in the defence and aerospace sectors. Our Non-Independent and Non-executive Director, Neal Jeremy Castleman, has been involved in the electronics industry since 1997 and possesses extensive electronics manufacturing experience.

Our Key Managerial Personnel team includes a combination of management executives who bring in significant business expertise including in the areas of finance and accounts, supply chain management, logistics, production, quality, and human resources, which positions us well to capitalize on the current and future growth opportunities. Our Whole-time Director, Sankarakrishnan Ramalingam, possesses about 26 years of experience in the finance sector. Shiva Kumara R., Vice President of our Company, has over 14 years of experience in the supply chain management while our Deputy General Manager of Supply Chain Management, Anand S., has about 14 years of experience in supply chain management. The heads of functional groups, such as operations, finance, logistics, production and quality, enhance the quality of our management with their specific and extensive industry experience. Pramod B., Deputy General Manager – Operations, possesses over 14 years of experience in supply chain management. Our Chief Financial Officer, Ranga K. S., was previously associated with Micro Plastics Private Limited and Alpha Design Technologies Private Limited.

## STRATEGIES

### ***Strengthen our system integration operations and further expand our cable and wire harness assembly business***

To expand within our existing verticals we intend to collaborate with OEMs in Israel and United States that possess high-end technologies in areas such as radars, electronic warfare, missile systems, sensors and communication systems. Another driver of defence electronics and associated integration opportunities in India is the proliferation of more advanced intelligence, surveillance and reconnaissance solutions and in particular, radar systems. Several Indian combat aircraft continue to use passive radar solutions. Moving forward, passive radars will be replaced with indigenous active electronically scanned array radar systems. The shift from passive to active radar solutions will thus provide opportunities for the manufacture, assembly, and integration of electronic radar modules, as well as related cabling. (Source: *Company Commissioned F&S Report*) This is another opportunity that we intend to capitalize on based on our existing capabilities.

We also intend to expand our existing cable and wire harness assembly operations to better serve the requirements for our global customers. The domain experience of our senior management team and our Individual Promoter, Chairman and Managing Director, Dr. H.S. Raghavendra Rao, extends beyond electronic manufacturing services (“EMS”) in the aerospace and defence sectors and we intend to leverage such experience to further expand our operations. The major focus of our proposed expansion would be on sectors such as telecom, medical, power, industrial and automotive, amongst others as they result in high volume business along with high EBITDA and profit after tax margins (Source: *Company Commissioned F&S Report*).

### ***Focus on adjacent industry verticals leading to expansion of customer base***

Our Individual Promoter, Chairman and Managing Director, Dr. H.S. Raghavendra Rao and our senior management team have significant experience in the EMS sector particularly in the aerospace and defence sectors. We intend to focus on adjacent industry verticals like EMS and Maintenance, Repair and Overhaul (“MRO”) services. Globally, revenues of the top 50 EMS companies were about US\$ 344 billion in 2019, which accounted for 16% of the global electronics market by value. Major manufacturers are evaluating a “China+1” policy, with India being the most favoured destination. Defence electronics is slated to be among the substantially upscaling markets within India. The Indian EMS Industry is expected to grow from US\$ 400 million in Fiscal 2019 to US\$ 4,510 million in Fiscal 2025 at a CAGR of around 49.8%. The Indian MRO market attained a value of US\$ 1.7 billion in 2021. The Indian commercial MRO market is expected to grow at a CAGR of approximately 8.9% between 2022 to 2031. The electronic cables and connectors segments are expected to account for 4% of the total Indian MRO market. The potential market for our Company will be approximately US\$ 165 million by 2031. The global MRO market is estimated to expand at a CAGR of 7.7% between 2022 and 2030, as the market expands from US\$ 64.7 billion in 2022, to US\$ 117 billion by 2030. (Source: *Company Commissioned F&S Report*) Given our capabilities, we believe we are well positioned to capitalize on the potential growth opportunities in these segments.

We intend to focus on the products identified in the Positive Indigenization List by the Ministry of Defence, Government of India, which we believe will provide opportunities to obtain transfer of technology. Transfer of technology is poised to be one of the key factors which is anticipated to drive the market for the hardware components vertical. Connectors and cables are used across various turnkey and subsystems assembly; hence an increased number of technology transfer contracts on both national as well as global basis are poised to boost the demand for cables and connectors. Technology transfer agreements have a major advantage in terms of defence offsets. manufacturing companies in India would gain potential opportunities to explore international markets through this. (Source: *Company Commissioned F&S Report*) We are in the process of evaluating options for the transfer of technology, and in particular, from key markets that we serve, such as Israel and the United States.

Further, in order to capture the existing demand from customers, in addition to the EMS Facility as mentioned in the section “*Objects of the Offer*” on page 97, RASPL is in the process of setting up an additional manufacturing facility for EMS at our Company’s existing premises at Plot no. 29,30 and 107, Hitech, Defence and Aerospace Park, Kavadasanahalli Village, Devanahalli Taluk, Bengaluru Rural, Karnataka-562110, which will have facilities for design, development, manufacturing, qualification and life cycle support of electronic and electro-mechanical systems used in Aerospace and Defence, Medical Electronics and Industrial Electronics application. For further information, see “- *Proposed Manufacturing Facility*” on page 178.

### ***Strengthen relationships with our existing customers and expand customer base***

We have established long-term relationships with our customers, which has led to recurring business engagements with such customers. In Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2021 and June 30, 2022, repeat orders from top three customers amounted to ₹ 16,110.94 million, ₹ 25,241.21 million, ₹ 23,265.98 million, ₹ 24,045.93 million and ₹ 23,811.54 million, respectively and accounted for 82.99%, 88.41%, 98.21%, 87.54% and 92.88%, respectively, of our total orders. We have a comprehensive business model with strict adherence to quality standards and timeline based deliveries which in our experience enables us to offer end-to-end solutions to OEMs. We plan to continue to focus on strengthening our existing relationships with our customers with a view of entering into more sophisticated, higher value projects with them. We are in the process of evaluating options for the transfer of technology especially from key markets that we serve. Our focus area is the positive indigenisation lists (containing 351, 107, and 780 items to be indigenised in the first, second and third lists respectively) of the Ministry of Defence, Government of India and advanced technology for civilian applications. For further information, see “*Key Regulations and Policies in India*” on page 91. We intend to focus on certain items within this list for the transfer of technology including long-range glide bombs and small UAVs for surveillance. For further information, see “ – *Pursue inorganic growth through selective acquisitions*” on page 172.

We believe that our quality product offerings, and our leadership in key product segments will enable to us to increase our share of business amongst our existing customers as well as increase our customer base. We intend to acquire customers that can provide higher value contracts, increase the wallet share with our existing customers through a combined means of marketing strategies and improvement of our manufacturing facility.

We intend to increase cross-selling of our product to increase customer base in various product verticals and expand into new or adjacent product verticals with our existing customers. We will continue to leverage our existing customer relationships to expand into new product categories. We intend to horizontally integrate our business model by entering into new verticals like EMS for the aerospace and defence industries. We currently serve as an IOP for OEMs and our raw material for PCB assembly or Printed Circuit Card is manufactured by external vendors. Through vertical integration in this segment, we believe we will have greater control on manufacturing, better adherence to delivery timelines, improvement in supply chain management, increased volume, higher profitability and margins. We also expect to generate additional business opportunities from other IOPs and domestic and foreign OEMs based on our track record of serving as an IOP for defence manufacturing projects.

### ***Penetrate into new geographies through an increase in exports***

Owing to relaxation of export limitations and policy changes, Indian defence exports are expected to rise rapidly. This is supported by the expanding capabilities of Indian defence suppliers. In comparison to defence public sector entities, the private sector now dominates Indian defence exports, which is expected to drive income prospects (*Source: Company Commissioned F&S Report*). We believe that we are well positioned to capture this expected growth in exports. Our export revenues were ₹ 3,371.67 million, ₹ 3,801.16 million, ₹ 6,116.94 million, ₹ 561.20 million and ₹ 1,003.21 million, respectively, and accounted for 76.45%, 59.59%, 55.73%, 45.66% and 47.06%, respectively, of our revenue from sale of products, in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022. Our export revenues grew at a CAGR of 34.69% between Fiscal 2020 to Fiscal 2022.

Over the years, we have supplied electronic sub-systems, cable and wire harness assemblies primarily to Israel, the United States and Korea. We intend to expand our international operations to enhance our global presence in the aerospace and defence sectors. We intend to enter new markets such as Europe where we believe we can provide cost and operational advantages to our customers, and where we will be able to distinguish ourselves from other companies with similar offerings. In Europe, a higher number of NATO members met the Alliance’s guideline aim of spending at least 2% of GDP on their military in 2020, compared to just nine countries in 2019. Further, spending on defence is expected to increase with the ongoing conflict between Ukraine and Russia. Further, in 2022, global military expenditure has already surpassed \$2 trillion per year, and looks set to rise further as European countries beef up their armed forces in response to Russia’s invasion of Ukraine. After a brief period of declining military spending between 2011 and 2014, outlays have increased for seven consecutive years. In the wake of the full-scale invasion of Ukraine, several European governments have pledged a spending overhaul to boost their forces’ capabilities. (*Source: Company Commissioned F&S Report*)

We are focused on expanding the verticals that we will cater to and also implement forward and backward integration strategies. For further information, see “ - *Continue to improve operational efficiencies through economies of scale, supply chain rationalization and effective resource planning*” on page 172. Given our design and manufacturing capabilities, we believe that there is significant potential for us to move into newer geographies and markets. We intend to identify opportunities in such overseas jurisdictions and tie up with local partners to utilise our existing product portfolio and further develop products suitable for meeting the respective country’s native requirements. We expect that such initiatives will provide us opportunities to not only expand our customer base but penetrate into newer geographies.

***Continue to improve operational efficiencies through economies of scale, supply chain rationalization and effective resource planning***

Our operational efficiencies have been established and refined over the years through an emphasis on economies of scale, incorporating the learnings we have acquired as part of our business operations, and supply chain developed for sourcing raw materials. We intend to continue to maintain and improve our operational efficiencies, with a focus on our supply chain. In order to improve our operational efficiency, we intend to implement comprehensive vertical integration measures such as undertaking EMS in-house, and MRO activities. In addition, we also intend to focus on cycle time reduction by adopting advanced technologies that will also result in process optimization, increasing our Company’s capacity to undertake more projects and thereby increase our revenues and margins. We intend to continue to maintain flexibility in our manufacturing lines for our different business verticals. We believe that will ensure higher utilization levels while aiding us in attaining a cost advantage. Further, we intend to leverage technology to effectively utilise our machinery through digital solutions, enabling effective monitoring of machines, allowing us to study shop floor patterns to address potential bottlenecks, thereby improving our output efficiency.

We believe these vertical integration measures will allow us to reduce our dependence on third parties, better manage our material inventory, and also contribute to higher margins. With vertical integration, we expect to achieve greater control over our manufacturing process, quality standards and also benefit from cost efficiencies. As a result, we will be able to fulfil our customers’ diverse needs in a timely manner, increase our sales per customer and improve our working capital requirements and supply chain processes.

***Pursue inorganic growth through selective acquisitions***

We intend to pursue inorganic growth opportunities through selective strategic acquisitions in the aerospace and defence segment to complement the scale of our operations and growth in recent periods. We are currently engaged in discussions for opportunities that will enable us to gain access to new technologies, geographies, categories and an opportunity for EMS. We believe that our proposed collaborations will expand our customer base by addressing additional business verticals and augment our service coverage by providing end-to-end customer solutions. We believe that such proposed collaborations would also allow us to commercialize the technology and products faster and acquire new clients and improve our cross-selling opportunities. Our extensive industry experience and insights enable us to identify suitable target companies for collaboration and effectively evaluate and execute potential opportunities. We intend to have a dedicated team that evaluates inorganic opportunities and assists us in evaluating each potential opportunity in determining how their business model or solution will integrate with our existing product portfolio, and how the companies can mutually benefit from such potential investments or collaboration. We are also exploring potential opportunities for expansion of our operations in the railways sector.

We have entered into non-disclosure agreements and are undertaking due diligence of the acquisition targets. On satisfactory conclusion of the diligence exercise, we would enter into definitive agreements after the approval of our Board and the shareholders, if required. As on the date of this Red Herring Prospectus, while we have identified potential target for acquisition, we have not entered into any definitive agreements.

**Impact of COVID-19**

The lockdown in India on account of the novel coronavirus, COVID-19, included severe travel and transport restrictions and a directive to all citizens to shelter in place, unless essential. The COVID-19 pandemic and associated responses have adversely affected, among other things, workforces, consumer sentiment, liquidity, economies, trade and financial markets around the world, including in India. The lockdown required private, commercial and industrial establishments to remain closed. While our manufacturing operations did not cease



given that our operations were classified under essential services, however, our operations were temporarily disrupted pursuant to directives from central / local authorities which, in turn, resulted in certain loss of productivity.

We had taken proactive steps to improve the general hygiene and health levels in our manufacturing facility. In addition to the guidelines and protocols recommended by state governments, we implemented work-from-home measures, provided masks, undertook mandatory temperature checks, and antigen testing to our employees. We also implemented a number of measures focused on the health and safety of our workforce. Our safety program among other things, includes pre-planning for safety in every position of the operation through active cooperation and participation of management personnel. We regularly track and verify our employees' health and well-being through mandatory temperature screening using infra- red thermometers, ensure usage of masks and hand sanitizers at our office premises. We notified our employees via email, about the precautionary and safety measures to be taken against COVID-19. As an ongoing practice, we provide relevant alerts, news and COVID-19 prevention practices through emails.

Although we are currently in compliance with governmental guidelines, any failure in the future to fully comply or adhere to the measures and guidelines or any other similar regulations could lead to the imposition of penalties, fines or other sanctions, which could have an adverse impact on our business. The impact of the ongoing pandemic, particularly the second wave and more communicable strain of the virus that affected India in March 2021, resulted in an adverse impact on our profitability as our operating expenses, primarily comprising fluctuations in foreign exchange resulting in reduction in profitability and material consumption and other operational expenses, which were less variable in nature. We also incurred and may continue to incur additional expenses in complying with evolving government regulations, including with respect to social distancing measures and sanitization practices. Also see “*Risk Factors - The current and continuing impact of the ongoing COVID-19 pandemic on our business and operations is uncertain and cannot be predicted.*” on page 37.

In the short to medium-term, we expect our revenues to be stable. However, the impact of subsequent waves of the virus on our business cannot be ascertained at this time and we cannot currently estimate the duration or future negative impact of the COVID-19 pandemic on our ability to continue expanding our business, or improve our revenues. Even though we have taken various initiatives to raise awareness for COVID as well as implemented social distancing and hygiene measures in our manufacturing facilities, we are significantly exposed to the public health and economic effects of the COVID-19 pandemic and there can be no assurance that our business will not be adversely affected if the COVID-19 pandemic were to worsen or last for an extended period, or if subsequent waves and more restrictive measures were to be implemented.

## BUSINESS OPERATIONS

### Products and Services

We classify our operations under the following business verticals: (i) System Integration; (ii) Cable Harness and Wire Assemblies; and (iii) Kitting.

The following table shows our revenue split according to our various business verticals, as of Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022:

| Verticals              | Fiscal                   |   |                          |   |                          |   | Three months ended June 30, |   |                          |   |
|------------------------|--------------------------|---|--------------------------|---|--------------------------|---|-----------------------------|---|--------------------------|---|
|                        | 2020                     |   | 2021                     |   | 2022                     |   | 2021                        |   | 2022                     |   |
|                        | (Standalone)             |   | (Consolidated)           |   | (Consolidated)           |   | (Standalone)                |   | (Consolidated)           |   |
|                        | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million)    | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) |
| System Integration *   | 3,717.65                 | 82.75%  | 6,160.67                 | 96.09%  | 9,398.65                 | 85.27%  | 1,081.05                    | 87.95%  | 2,055.02                 | 96.36%  |
| Cable and Wire Harness | 333.14                   | 7.42%   | 195.84                   | 3.05%   | 298.14                   | 2.70%   | 42.87                       | 3.49%   | 69.16                    | 3.24%   |

|                  |                 |                |                 |                |                  |                |                 |                |                 |                |
|------------------|-----------------|----------------|-----------------|----------------|------------------|----------------|-----------------|----------------|-----------------|----------------|
| Assemblies<br>** |                 |                |                 |                |                  |                |                 |                |                 |                |
| Kitting          | 441.83          | 9.83%          | 55.12           | 0.86%          | 1,325.94         | 12.03%         | 105.22          | 8.56%          | 8.36            | 0.40%          |
| <b>Total</b>     | <b>4,492.62</b> | <b>100.00%</b> | <b>6,411.63</b> | <b>100.00%</b> | <b>11,022.73</b> | <b>100.00%</b> | <b>1,229.14</b> | <b>100.00%</b> | <b>2,132.54</b> | <b>100.00%</b> |

\* Includes MEIS incentive of ₹ 60.93 million, ₹ 28.28 million and ₹ 28.61 million, in Fiscal 2020, 2021 and 2022 and ₹ nil and ₹ nil, respectively in the three months ended June 30, 2021 and June 30, 2022.

\*\* Includes MEIS incentive of ₹ 5.83 million, ₹ 0.03 million and ₹ nil in Fiscal 2020, 2021 and 2022 and ₹ nil and ₹ nil, respectively in the three months ended June 30, 2021 and June 30, 2022.

### **System Integration**

We undertake system integration in areas of radar systems, sensors, electronic warfare, missiles, and communication systems. We provide product assembly and system integration services to address customers' requirements. System integration services are part of a comprehensive array of electronics and electro-mechanical assembly and enclosure assembly. Our purchasing, logistics, inventory control and production engineering groups work together, supported by engineering expertise in both electrical and mechanical assembly.

As part of our system integration services, we also do in-house testing, including vibration and environmental stress testing of complex radio frequency products to ensure the quality of our final products to be shipped to our customers, and reliability of our products' functioning under varying environmental conditions.



We possess capabilities to manufacture complex, high-end and high-power microwave modules which that have applications in radars, antennas, electronic warfare systems, receiver subsystems and missile systems. Our capabilities include inspection and test equipment of cable tester, cirrus testers, network analyzer, crimp pull tester, microscope, leak test equipment, high voltage tester, micro-ohm meter, test station for PCBAs, automatic testing equipment for PCBAs and module testing, electrodynamic vibration shaker system, contact retention tester and vernier height gauge.

### **Cable and Wire Harness Assemblies**

#### *Fine Wire Cable Assemblies*

Fine cable assemblies are manufactured by using extreme limpness and flexible multi strand wires insulated by silicon rubber insulated compound which are inherently soft and pliable to provide smooth and flexible high bend radius of harness to obtain flexibility and long life in dynamic, flexible application. These cables are light weight, high temperature resistant, radiations resistance, low smoke and zero halogen and strong. Fine wire cable assemblies are extensively used in robotic, aerospace, marine, space and medical applications to obtain high performance.



#### *Flex Flat Cable Assemblies*



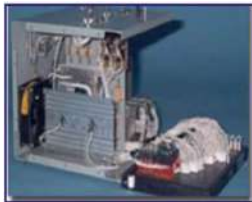
Designed for board-to-board interconnections, standard flat flexible cables are made up of flat conductors insulated with polyester or polyimide tapes (from 0.30 mm to 1.25 mm pitch). The termination of flat flexible cables is made either with zero insertion force or low insertion force connectors. The cables are equipped with reinforcement tape to strengthen the ends by soldering. Flexible flat cable is a type of cable that is flat in shape and flexible enough to manoeuvre within tight spaces. Flex cable applications are usually used in small and tight spaces. The construction of a flat cable really helps manage cables because of the uniform, flat shape. Usually, a flexible plastic is used in the base where several different conductors are able to be bonded with the surface. The flat cable provides three main advantages over a round cable with space-saving design, improved resistance to electromagnetic interference (“EMI”) or radio frequency interference, and helping to avoid any issues related to wire coupling.

#### *Electromagnetic Interference Shielded Cable Harness*

EMI shielded cables, harnesses and assemblies are designed to meet electromagnetic pulses, electromagnetic compatibility, nuclear, biological and chemical and telecommunications electronics material protected from emanating spurious transmissions or TEMPEST solutions, and our shielded solutions have been used in certain commercial airliner landing gear systems, secure communication systems and others.



#### *Wired Enclosure*



We produce high reliability backplane assemblies, and wired enclosures for the defence and aerospace and industrial market. We specialize in complete turnkey custom electronic wired enclosures, sub-racks, system cabinets, and subsystem chassis. Our capabilities enable us to support portable size units to large consoles with up to 100,000 terminations, and allow our customers the flexibility to customize their designs to meet the needs of the application.

#### *Conduit Assemblies*



Electrical conduits surround electrical wiring to protect from impact, moisture and chemical vapors. A conduit simplifies a wiring installation by providing an unobstructed path for the wiring to run through. Conduit systems can be waterproof and protect sensitive circuits from electromagnetic interference. Special types of conduits can be made to protect wiring from flammable gases and vapors to protect from fire and explosion. Other types of conduit are made to be directly encased in concrete, allowing for specialized installation of outlets and networking/phone ports and ease of running the wires through the floor.

#### *Kitting*

Kitting includes sourcing of components from various global manufactures and suppliers approved by our customers, compiling them, inspecting, testing and making customised packing for customers. We take responsibility for the supply of assembly-ready kits to the machine feeders and beyond, based on our customers' bill of materials (“BOM”), and deal with all aspects of procurement including controlled storage of moisture sensitive devices (“MSD”). With our Total BOM Management service, we ensure that our customers receive complete, assembly-ready kits when they are needed for production. Our customers benefit from complete,

assembly-ready kits arriving when required, reducing costs in each department and thereby reducing the actual cost of procurement, storage and kitting. Kitting also reduces inventory levels, space requirements, indirect cost and overhead efficiencies, and real cost of acquisition.

**Our Manufacturing Facility and Capabilities**

We operate from a single facility at Plot #29, 30 and 107, Hi-Tech Defence and Aerospace Park SEZ, Kavadasanahalli Village, Devanahalli, Bengaluru Rural – 562 110, Karnataka. Our facility has the capability to provide end-to-end support for assets, including upgrading and modifying assets and equipment. Our facility covers an area of 30,000 square feet which is built on a land of 1.5 acres.

Our manufacturing facility is situated in a special economic zone dedicated for aerospace and defence industry and is completely security fenced, monitored 24/7 basis by the Karnataka Industrial Areas Development Board (“KIADB”). The entry into this zone is regulated. Our facility is situated within this zone with its own security standards covering 1.5 acres of land, fenced, monitored by digital security cameras with monitoring system coupled with alarm systems and restricted access control for individual manufacturing divisions. Further, majority of our classified finished goods are handled under special standard operating procedure provided by customers which includes a dedicated vehicle with armed guards to escort the consignment from our premises to the airport. This enables security of classified products till they reach the end-customer in various locations.

Our facility is set up for complete in-house environmental and electrical testing, and our in-house capabilities are wide-ranging, from a complete design and development for our cable and wire harness assemblies to extensive wire processing. Our operations are based on enterprise resource planning system. Our process engineers are technically trained to meet the requirements of our customers’ applications.

We place emphasis on quality manufacturing, internal controls, skilled manpower, timely execution capabilities and organizational processes, as well as processes incorporated at our manufacturing facility, and continuous improvement across our operations.

An indicative list of equipment we possess at our facility is as below:

| Production Machine & Equipment               | Inspection & Testing Equipment           |
|--|--|
| > Laser Wire Marker                          | > Cable Tester - Multipoint Series 5000  |
| > Automatic Wire Cutting & Stripping Machine | > Cable Tester - CIRRIIS                 |
| > Coaxial Stripping Machine                  | > Network Analyzer                       |
| > Thermal & Ideal Stripper                   | > Crimp Pull Tester                      |
| > Crimp Tools (All Standard Tools)           | > Microscope                             |
| > Controlled Torque Tools                    | > Leak Test Equipment                    |
| > Tinnel Welding Machine                     | > High Voltage Tester                    |
| > Label Printer                              | > Micro - Ohm Meter                      |
| > Dessicator                                 | > ATE for PCBA & Module Testing          |
| > Hot Melt Potting Machine                   | > Electrodynamic Vibration Shaker System |
| > Adhesive/Glue Dispenser                    | > Shore A & Shore D Hardness Tester      |
| > Baking / Curing Oven                       | > Megger / Digital Insulation Tester     |
| > Temp Controlled Soldering Stations         | > Contact Retention Tester               |
| > Temp Controlled Hot Air Gun                | > Vernier Height Gauge                   |
| > Ultra Low Dry Cabinet                      | > Digital Crimp Height Micrometre        |
| > Mechanical & Pneumatic Toggle Press        |  |
| > Vacuum Packing System                      |  |

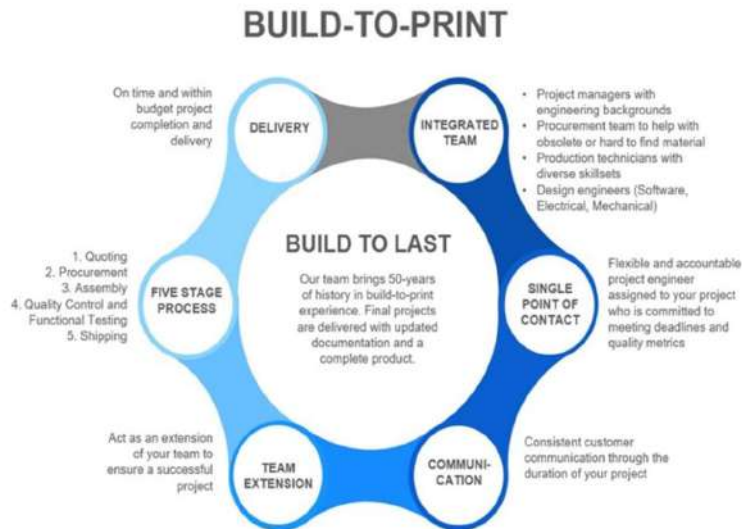
Our factory contains two units of production and one unit covering 25,000 square feet in area, and the other unit covering 5,000 square feet in area.



*Build-to-Print Capabilities*

Build-to-print is when a supplier produces work instructions, assembly drawings, and calls out specific and detailed manufacturing practices used in building the parts along with the customer’s specification of the component’s functional requirements. This method requires a little more effort and development costs from the customer, but it is advantageous to them because they maintain control of the intellectual property right while having the flexibility to select appropriate suppliers to produce the parts for them. This approach allows an easier vertical integration for the customer’s business because they only need to focus on their core, and this often alleviates the bottlenecks they encounter while trying to do all those processes themselves. (Source: *Company Commissioned F&S Report*)

We are focused on turnkey – built-to-print projects for our OEM customers. We leverage intellectual property of our customers and manufacture products according to their requirements.



*Cable and Harness Prototype Manufacturing and Testing*

We also undertake manufacturing of proto-types for our customers to address their requirements to design and develop new products which may give us future opportunities for volume production when the product matures

and come for bulk production.

#### *Proposed Manufacturing Facility*

In addition to the EMS Facility as mentioned in the section “*Objects of the Offer*” on page 97, to take advantage of the immediate opportunities available for the manufacturing of PCB Assemblies, as on the date of this Red Herring Prospectus, our wholly owned subsidiary, RASPL is in the process of setting up an additional manufacturing facility for EMS at our Company’s existing premises at Plot no. 29,30 and 107, Hitech, Defence and Aerospace Park, Kavadasanahalli Village, Devanahalli Taluk, Bengaluru Rural, Karnataka-562110 (“**Additional Facility**”) which we intend to sub-lease to RASPL for an area of 2,000 square meters. We intend to finance the entire cost for setting up the Additional Facility by way of a term loan obtained by the RASPL and internal accruals of our Company which have been invested in the equity shares of RASPL, and is not proposed to be funded from the Net Proceeds.

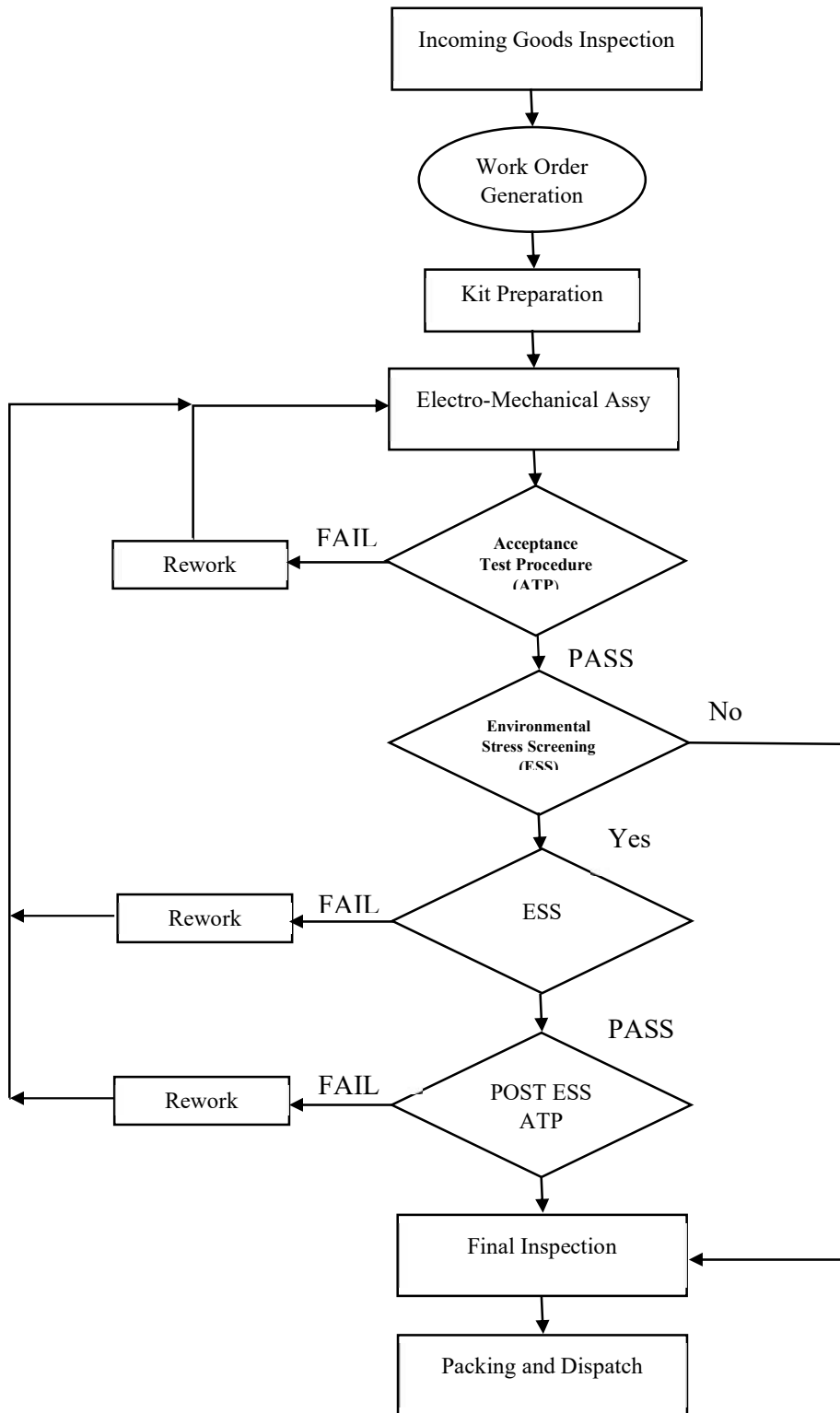
The Additional Facility will have facilities for design, development, manufacturing, qualification and life cycle support of electronic and electro – mechanical systems used in Aerospace and Defence, Medical Electronics and Industrial Electronics application. RASPL is in the process of obtaining the approvals and permissions required for setting up the Additional Facility, *inter-alia*, application made to KIADB and SEZ authority for seeking their approval for the construction of the Additional Facility. Once the approvals from the KIADB and SEZ are obtained, RASPL will commence the construction of the Additional Facility. As of the date of this Red Herring Prospectus, the approvals required for setting up the Additional Facility including permission from KIADB and SEZ authority are pending.

RASPL has also placed orders with the vendors for certain equipment, and is in discussions with the vendors for certain additional equipment for the Additional Facility that are required for its operations.

#### ***Manufacturing Process***

##### *System Integration*

The flowchart below sets out briefly the process of system integration:



The production process starts once the order is confirmed. The production order will be released by the authorized person against the order and the process type will be defined as either first article inspection (“FAI”). The FAI process will be provided by the customer.

Post FAI, documents for bulk production will be transferred from our process engineering department to the

production and testing department, while our planning team will analyse resources required to complete the project. If required, training is provided to employees.

Raw materials are issued by stores as a kit and the same is inspected by a technician and a quality inspector to ensure the part numbers and batch numbers of raw materials match the bill of material. The manufacturing process will start with the supporting documents like process control record, work instruction, device history record, drawings, and specifications defined by the customer and internal team. Drawings, work instructions and specifications are the documents which are referred to manufacture a product. Process control records and device history records are used for traceability of process, raw materials, and tools used throughout the process cycle. There are intermittent quality-in-process inspections to ensure quality of the product at different levels of the production process as defined by the process engineering team.

As part of system integration, electromechanical assembly includes integration of complex radio frequency, digital and power supply PCBAs and assemblies with mechanical parts using certain hardware, cable harnesses and radio frequency cabling as per customer requirements.

Testing of Unit Under Test (“UUT”) includes software loading, acceptance test procedures (“ATP”) and reliability test of the UUT based on the specification and requirement specified by the customer. UUT integrated and tested pass will be subjected to environmental stress testing to check the reliability and performance of the UUT in an adverse environment.

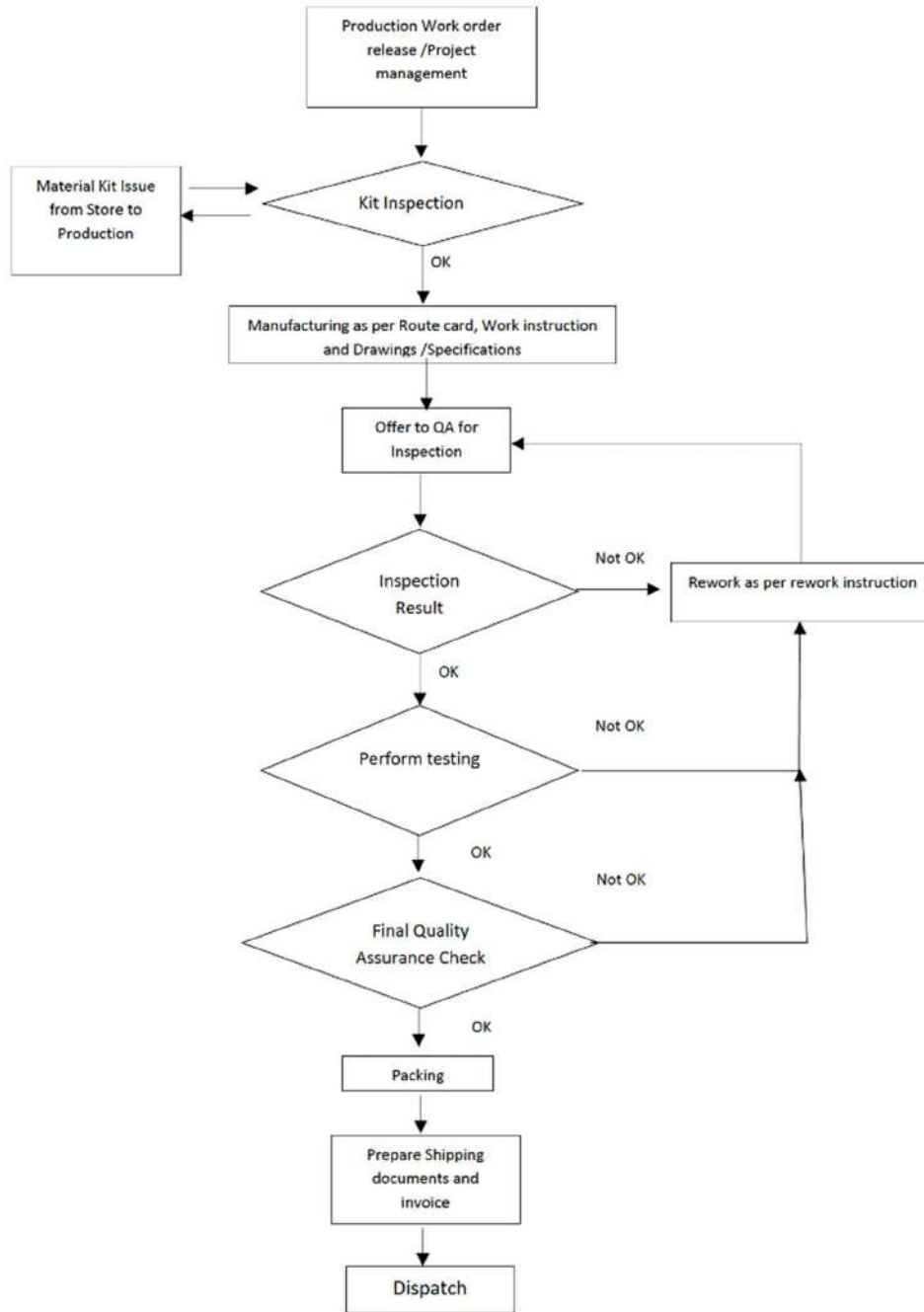
Once manufacturing process is completed, final quality inspection is undertaken. During final inspection, if the product does not meet the specified parameters or if any non-conformance is found, it is relayed to the customer for a decision either to send the product under material review board or rework it.

If the product is accepted at final inspection, then it will be moved to primary packing through finished goods transfer note (“FGTN”). Once the FGTN is moved to stores, the production team will measure the defined measurable, and, if required, continual improvements through suggestion, process improvements based on internal non-conformance, or customer complaints will be implemented. Our sales team will coordinate with the production team, along with logistics and take necessary actions to dispatch the finished goods to the customer.

#### *Cable Harness and Wire Assemblies*

The flowchart below sets out briefly the manufacturing process of cable harness and wire assemblies:





The production process starts once the order is confirmed. The production order will be released by the authorized person against the order and the process type will be defined as either first article or regular production. The FAI process will be performed under the guidance of process engineering team, if required. On-job training will be provided by the customer or internal identified trainer.

As for regular production, our production team will obtain process documents from the process engineering department, while our planning team will analyse resources required to complete the project and the competency of the team will be reviewed. If required, training will be provided to improve the skillsets of the technicians. Once the resources and skilled manpower are ready for manufacturing, serial number will be defined for each harness.

To commence the manufacturing process, material will be issued by stores as a kit and the same will be inspected by the technician and quality inspector to ensure the part numbers and batch numbers of raw materials against the bill of material. The manufacturing process will start with the supporting documents like process control record, work instruction, device history record, drawings, and specifications defined by the customer and internal team. Drawings, work instructions and specifications are the documents which will be referred to manufacture a product, and process control record and device history records will be used for the traceability of process, raw materials, and tools which is being used throughout the process cycle. Intermittently, there will be quality-in-process inspections taking place to ensure the quality of the product at different critical levels of the production defined by the process engineering team. During manufacturing process, should any tools or equipment break down, the breakdown will be conveyed to the maintenance team for repairs to ensure smooth flow of production.

Once manufacturing process is completed, cable assemblies will be offered for quality final inspection. During final inspection, if the product does not meet the requirements or if any non-conformance is found, it will be relayed to the Cross Functional Team (“CFT”) for a decision either to scrap the product or rework it. If the products need to be scrapped, the CFT has to approve and the product will be moved to store for quarantine, and the same non-conformance will be raised and closed with proper corrective action from the internal team with evidence. If the CFT takes the decision to rework, then the required raw material will be drawn from the stores, and the rework instruction drafted by the process team will be followed and its control number entered in the production control record.

If the product is accepted at final inspection, then it will be moved to primary packing through FGTV. Once the FGTV is moved to stores, the production team will measure the defined measurable, and, if required, continual improvements through suggestion, process improvements based on internal non-conformance, or customer complaints will be implemented. Our sales team will coordinate with the production team, along with logistics and take necessary actions to dispatch the finished goods to the customer.

### **Capacity and Capacity Utilization**

The installed and utilized capacity of our facility cannot be specified as it is dependent on the nature of the product, its design and specifications, raw material, and other relevant details. Since we are engaged in developing, manufacturing and testing of a range of products for the defence and aerospace industry that are customised to order placed by our customers, an estimate with respect to installed or utilised capacity cannot be specified. The capacity of the manufacturing operations varies significantly depending on products manufactured and hence an estimate of the installed / utilized capacity cannot be provided accurately.

### **Order Book**

Our order book is computed based on the total order value from a customer less executed amount as on the relevant date. The following table sets forth details of our order book as per our business verticals for the periods indicated.

| Verticals                         | Fiscal                   |   |                          |   |                          |   | Three months ended June 30, |   |                          |   |
|-----------------------------------|--------------------------|---|--------------------------|---|--------------------------|---|-----------------------------|---|--------------------------|---|
|                                   | 2020                     |   | 2021                     |   | 2022                     |   | 2021                        |   | 2022                     |   |
|                                   | (Standalone)             |   | (Consolidated)           |   | (Consolidated)           |   | (Standalone)                |   | (Consolidated)           |   |
|                                   | Amount<br>(₹<br>million) | Percentage<br>of<br>Total<br>Order<br>Book<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of<br>Total<br>Order<br>Book<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of<br>Total<br>Order<br>Book<br>(%) | Amount<br>(₹<br>million)    | Percentage<br>of<br>Total<br>Order<br>Book<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of<br>Total<br>Order<br>Book<br>(%) |
| System Integration                | 18,938.09                | 97.56%  | 25,592.23                | 89.64%  | 22,302.76                | 94.14%  | 24,511.18                   | 89.22%  | 24,299.86                | 94.79%  |
| Cable and Wire Harness Assemblies | 390.87                   | 2.01%   | 471.77                   | 1.65%   | 218.30                   | 0.92%   | 576.77                      | 2.10%   | 136.32                   | 0.53%   |
| Kitting                           | 84.15                    | 0.43%   | 2,486.18                 | 8.71%   | 1,168.98                 | 4.94%   | 2,380.95                    | 8.68%   | 1,200.16                 | 4.68%   |
| <b>Total</b>                      | <b>19,413.11</b>         | <b>100.00%</b>                                    | <b>28,550.18</b>         | <b>100.00%</b>                                    | <b>23,690.04</b>         | <b>100.00%</b>                                    | <b>27,468.90</b>            | <b>100.00%</b>                                    | <b>25,636.34</b>         | <b>100.00%</b>                                    |

As of June 30, 2022, our order book comprised 42 orders aggregating ₹ 25,636.34 million which comprised orders amounting to ₹ 24,299.86 million towards our system integration vertical, order amounting to ₹ 1,200.16 million

towards our kitting activities and ₹ 136.32 million towards cable and wire harness assemblies.

The table below sets forth details of our order book from our top five customers for the periods indicated:

| Customers  | Fiscal                   |  |                          |  |                          |  | Three months ended June 30, |  |                          |  |
|------------|--------------------------|--|--------------------------|--|--------------------------|--|-----------------------------|--|--------------------------|--|
|            | 2020                     |  | 2021                     |  | 2022                     |  | 2021                        |  | 2022                     |  |
|            | (Standalone)             |  |                          |  | (Consolidated)           |  | (Standalone)                |  | (Consolidated)           |  |
|            | Amount<br>(₹<br>million) | Percent<br>age of<br>Total<br>Order<br>Book<br>(%) | Amount<br>(₹<br>million) | Percent<br>age of<br>Total<br>Order<br>Book<br>(%) | Amount<br>(₹<br>million) | Percent<br>age of<br>Total<br>Order<br>Book<br>(%) | Amount<br>(₹<br>million)    | Percent<br>age of Total<br>Order<br>Book (%) | Amount<br>(₹<br>million) | Percent<br>age of Total<br>Order<br>Book (%) |
| Customer 1 | 11,199.95                | 57.69%   | 17,388.35                | 60.90%   | 12,339.51                | 52.09%   | 16,982.50                   | 61.82%                                       | 15,357.75                | 59.91%                                       |
| Customer 2 | 3,533.83                 | 18.20%   | 4,873.21                 | 17.07%   | 5,892.46                 | 24.87%   | 4,682.48                    | 17.05%                                       | 5,604.52                 | 21.86%                                       |
| Customer 3 | 1,519.83                 | 7.83%  | 2,486.18                 | 8.71%  | 3,486.18                 | 14.72%   | 2,380.95                    | 8.67%  | 2,849.27                 | 11.11%                                       |
| Customer 4 | 1,172.91                 | 6.04%  | 1,443.55                 | 5.06%  | 1,168.98                 | 4.93%  | 1,413.70                    | 5.15%  | 1,200.16                 | 4.68%  |
| Customer 5 | 972.94                   | 5.01%  | 803.12                   | 2.81%  | 600.12                   | 2.53%  | 600.12                      | 2.18%  | 507.04                   | 1.98%  |

For further information, see “Risk Factors – Our current order book may not necessarily translate into future income in its entirety. Some of our current orders which we have received may be modified, cancelled, delayed, put on hold or not fully paid for by our customers, which could adversely affect our results of operations.” on page 29.

## Raw Materials

Our primary raw materials are electronic assemblies and sub-systems such as printed circuit board assemblies, power supplies, radio frequency cables and wires, radio frequency connectors, circular connectors, integrated circuits and mechanical enclosures. The following table sets out certain information about our raw materials expenditure in Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2021 and June 30, 2022:

| Raw<br>Material                               | Fiscal  |   |   |   |   |   | Three months ended June 30,                       |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
|   | 2020  |   | 2021  |   | 2022  |   | 2021  |   | 2022  |   |
|   | (Standalone)                                  |   |   |   | (Consolidated)                                |   | (Standalone)                                      |   | (Consolidated)                                |   |
|   | Total<br>Purchase<br>Amount<br>(₹<br>million) | Percent<br>age of<br>Total<br>Purchase<br>Amount<br>(%) | Total<br>Purchase<br>Amount<br>(₹<br>million) | Percent<br>age of<br>Total<br>Purchase<br>Amount<br>(%) | Total<br>Purchase<br>Amount<br>(₹<br>million) | Percent<br>age of<br>Total<br>Purchase<br>Amount<br>(%) | Total<br>Purchase<br>Amount<br>(₹<br>millio<br>n) | Percent<br>age of<br>Total<br>Purchase<br>Amount<br>(%) | Total<br>Purchase<br>Amount<br>(₹<br>million) | Percent<br>age of<br>Total<br>Purchase<br>Amount<br>(%) |
| Printed<br>Circuit<br>Board<br>Assembli<br>es | 1,882.80                                      | 39.33%  | 3,055.30                                      | 41.13%  | 3,866.41                                      | 46.80%  | 85.54   | 15.05%  | 1,453.84                                      | 59.78%  |
| Integrated<br>Circuits                        | 1,818.60                                      | 37.99%  | 3,446.80                                      | 46.39%  | 2,879.25                                      | 34.85%  | 183.18  | 32.23%  | 555.22  | 22.83%  |
| Power<br>Supplies                             | 868.20  | 18.14%  | 464.10  | 6.25%   | 1,096.84                                      | 13.28%  | 229.02  | 40.29%  | 84.61   | 3.48%   |
| Cables<br>and Wires                           | 75.20   | 1.57%   | 35.80   | 0.48%   | 68.40   | 0.83%   | 32.56   | 5.73%   | 128.45  | 5.28%   |
| Connecto<br>rs                                | 78.90   | 1.65%   | 26.70   | 0.36%   | 120.40  | 1.46%   | 3.22  | 0.57%   | 40.29   | 1.66%   |
| Mechanic<br>al<br>enclosure<br>s              | 25.70   | 0.54%   | 32.90   | 0.44%   | 66.47   | 0.80%   | 12.70   | 2.23%   | 23.80   | 0.98%   |
| Others*                                       | 37.59   | 0.78%   | 367.74  | 4.95%   | 163.84  | 1.98%   | 22.19   | 3.90%   | 145.76  | 5.99%   |
| <b>Total</b>                                  | <b>4,786.99</b>                               | <b>100.00%</b>  | <b>7,429.34</b>                               | <b>100.00%</b>  | <b>8,261.61</b>                               | <b>100.00%</b>  | <b>568.42</b>                                     | <b>100.00%</b>  | <b>2,431.98</b>                               | <b>100.00%</b>  |

Notes:

\* Others includes filters, bare PCB, motors, relays, sleeves, and adhesives, active and passive electronic components.

We have from time to time experienced cost fluctuations of our raw materials, particularly in the aforementioned components due to volatility in the commodity markets. Since the selling prices of our products are affected by the prices of our raw materials, fluctuations in the prices of these raw materials and the inability to pass on the cost increase to our customers could negatively affect our operating results. To manage such risks, we have agreements with and communicate through emails with our customers, pursuant to which we pass on any fluctuation or increase in cost of raw materials to our customers. This allows us to factor in the costs of the raw materials when we enter into any sales contracts and accordingly pass on any increase in the prices of raw materials to our customers. For most of our other suppliers with whom we do not have such pricing windows, we tend to submit purchase orders for raw materials around the same time as we receive orders from customers, to help minimize our open raw material positions. While we have entered into a manufacturing and supply contract with three of our major suppliers for our system integration projects, which is on a back-to-back basis with our contract with our customers, we typically do not enter into purchase agreements with our suppliers, other than issuing purchase orders for specific project requirements with delivery schedules to meet our customer requirements. The delivery schedules can be short-term or long-term depending on our customer requirements. We typically pay in advance to our suppliers for procuring raw materials.

Our electronic components either procured locally from or are imported from the suppliers approved by our customers. Due to the nature of defence and aerospace business vertical, a certificate of conformance for all the components used in our products is required. We also maintain records with information on batch name and other information to allow defect investigation and rectification. All metal parts are manufactured and supplied by suppliers approved by our customers based on their designs.

The table below sets forth details of our supplier concentration in the periods indicated and the average relationship period with such suppliers:

| Supplier concentration (%) | Fiscal       |        |                | Three months ended June 30, |                | Average Relationship Period (Years) |
|----------------------------|--------------|--------|----------------|-----------------------------|----------------|-------------------------------------|
|                            | 2020         | 2021   | 2022           | 2021                        | 2022           |                                     |
|                            | (Standalone) |        | (Consolidated) | (Standalone)                | (Consolidated) |                                     |
| Top 1                      | 25.92%       | 46.77% | 33.70%         | 40.29%                      | 25.50%         | 4                                   |
| Top 5                      | 85.00%       | 93.11% | 85.78%         | 85.10%                      | 90.52%         | 6                                   |
| Top 10                     | 98.38%       | 98.12% | 95.54%         | 95.24%                      | 96.77%         | 6                                   |
| Top 15                     | 99.20%       | 99.05% | 98.52%         | 97.47%                      | 97.87%         | 6                                   |

The table below sets forth details of our suppliers in the periods indicated:

| Supplier concentration (%) | Fiscal         |                |                | Three months ended June 30, |                |
|----------------------------|----------------|----------------|----------------|-----------------------------|----------------|
|                            | 2020           | 2021           | 2022           | 2021                        | 2022           |
|                            | (Standalone)   |                | (Consolidated) | (Standalone)                | (Consolidated) |
| Domestic                   | 63.76%         | 85.37%         | 78.57%         | 36.93%                      | 85.64%         |
| International              | 36.24%         | 14.63%         | 21.43%         | 63.07%                      | 14.36%         |
| <b>Total</b>               | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b>              | <b>100.00%</b> |

### Utilities

We require power and fuel at our manufacturing facility. For Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, our power and fuel expenses were ₹ 1.88 million, ₹ 2.31 million, ₹ 2.61 million, ₹ 0.27 million and ₹ 0.76 million constituting 0.04%, 0.03%, 0.02%, 0.02% and 0.03%, respectively, of our revenue from operations. We source our energy requirements for our manufacturing facility from the Karnataka state electricity board and also have power back-up arrangements in place.

### Logistics

We transport our finished products by road, sea and air. We rely on freight forwarders to deliver our products. We sell our products on ex-works basis for majority of the purchase orders. For the remaining purchase orders, we operate on a cost, insurance and freight basis, on a consignee basis and on a door delivery/ delivery at place basis. Where we are responsible for shipping the products to the customer, our freight forwarders arrange for the finished products to be trucked to our customers in India or to the port for export, as applicable. Our custom house agents

handle the requisite clearance procedures.

For exports, our freight forwarders co-ordinate with the shipping line/ airline to file and release the necessary bills of lading/ air waybills. Incoterms determine the exact delivery terms, which would include how the goods will be delivered, who pays, who is responsible and who handles specific procedures such as loading and unloading.

### Customer Base

Our customers are present across India, Israel, the United States and South Korea and domestically our customers include public sector undertakings and private players in the defence manufacturing industry, government departments, space organisations and defence forces. We believe, we have strong and long-established relationships with most of our customers.

The table below sets forth details of our revenue from operations from our top three and top 10 customers in the periods indicated:

| Customer Concentration | Fiscal                |   |                       |   |                        |   | Three Months Ended June 30, |   |                        |   |
|------------------------|-----------------------|---|-----------------------|---|------------------------|---|-----------------------------|---|------------------------|---|
|                        | 2020<br>(Standalone)  |   | 2021<br>(Standalone)  |   | 2022<br>(Consolidated) |   | 2021<br>(Standalone)        |   | 2022<br>(Consolidated) |   |
|                        | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹ million)  | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹ million)       | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹ million)  | Percentage<br>of Revenue<br>from<br>Operations<br>(%) |
| Top 3 Customers        | 3,291.34              | 73.26%  | 5,571.40              | 86.90%  | 8,879.04               | 80.55%  | 1,053.34                    | 85.70%  | 2,065.03               | 96.83%  |
| - Customer1            | 1,881.23              | 41.87%  | 3,606.09              | 56.24%  | 6,130.71               | 55.62%  | 560.72                      | 45.62%  | 992.03                 | 46.52%  |
| - Customer2            | 787.45                | 17.53%  | 1,172.91              | 18.29%  | 1,422.39               | 12.90%  | 301.90                      | 24.56%  | 753.05                 | 35.31%  |
| - Customer3            | 622.66                | 13.86%  | 792.40                | 12.36%  | 1,325.94               | 12.03%  | 190.72                      | 15.52%  | 319.95                 | 15.00%  |
| Top 10 Customers       | 4,384.96              | 97.60%  | 6,349.61              | 99.03%  | 10,990.63              | 99.71%  | 1,229.14                    | 100.00%   | 2,132.50               | 100.00%   |

The following table sets forth certain information regarding our customer base for the periods indicated:

| Customers    | Fiscal                                       |   |  |   |  |   | Three months ended June 30,                  |   |  |   |
|--------------|--|---|--|---|--|---|--|---|--|---|
|              | 2020<br>(Standalone)                         |   | 2021<br>(Standalone)                         |   | 2022<br>(Consolidated)                       |   | 2021<br>(Standalone)                         |   | 2022<br>(Consolidated)                       |   |
|              | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) |
| Export       | 3,371.67                                     | 76.45%  | 3,801.16                                     | 59.59%  | 6,116.94                                     | 55.73%  | 561.20                                       | 45.66%  | 1,003.21                                     | 47.04%  |
| Domestic     | 1,038.43                                     | 23.55%  | 2,577.56                                     | 40.41%  | 4,859.72                                     | 44.27%  | 667.99                                       | 54.34%  | 1,128.59                                     | 52.96%  |
| <b>Total</b> | <b>4,410.10</b>                              | <b>100.00%</b>  | <b>6,378.72</b>                              | <b>100.00%</b>  | <b>10,976.66</b>                             | <b>100.00%</b>  | <b>1,229.19</b>                              | <b>100.00%</b>  | <b>2,131.80</b>                              | <b>100.00%</b>  |

The table below sets forth details of revenues generated from our customers based on the type of customers for the periods indicated:

| Type of Customers | Fiscal                                       |   |  |   |  |   | Three months ended June 30,                  |   |  |   |
|-------------------|--|---|--|---|--|---|--|---|--|---|
|                   | 2020<br>(Standalone)                         |   | 2021<br>(Standalone)                         |   | 2022<br>(Consolidated)                       |   | 2021<br>(Standalone)                         |   | 2022<br>(Consolidated)                       |   |
|                   | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) | Revenue from Sale of Products<br>(₹ million) | Percentage of Total Revenue from Sale of Products (%) |

|              | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products<br>and<br>Services<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products<br>and<br>Services<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products<br>and<br>Services<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products<br>and<br>Services<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of<br>Revenue<br>from Sale<br>of<br>Products<br>and<br>Services<br>(%) |
|--------------|--------------------------|--|--------------------------|--|--------------------------|--|--------------------------|--|--------------------------|--|
| Public       | 2,503.89                 | 56.57%   | 4,126.05                 | 64.64%   | 7,555.07                 | 68.72%   | 751.92                   | 61.17%   | 1,756.01                 | 82.34%   |
| Private      | 1,921.97                 | 43.43%   | 2,257.27                 | 35.36%   | 3,439.05                 | 31.28%   | 477.22                   | 38.83%   | 376.53                   | 17.66%   |
| <b>Total</b> | <b>4,425.86</b>          | <b>100.00%</b>   | <b>6,383.32</b>          | <b>100.00%</b>   | <b>10,994.12</b>         | <b>100.00%</b>   | <b>1,229.14</b>          | <b>100.00%</b>   | <b>2,132.54</b>          | <b>100.00%</b>   |

The table below sets out certain information about the classification status of our customers in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022:

| Classification | Fiscal                |   |                       |   |                       |   | Three months ended June 30, |   |                       |   |
|----------------|-----------------------|---|-----------------------|---|-----------------------|---|-----------------------------|---|-----------------------|---|
|                | 2020                  |   | 2021                  |   | 2022                  |   | 2021                        |   | 2022                  |   |
|                | (Standalone)          |   |                       |   | (Consolidated)        |   | (Standalone)                |   | (Consolidated)        |   |
|                | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from Sale of<br>Products<br>and Services<br>(%) | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from Sale of<br>Products<br>and Services<br>(%) | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from Sale of<br>Products<br>and Services<br>(%) | Amount<br>(₹ million)       | Percentage<br>of Revenue<br>from Sale of<br>Products<br>and Services<br>(%) | Amount<br>(₹ million) | Percentage<br>of Revenue<br>from Sale of<br>Products<br>and Services<br>(%) |
| Offset         | 4,331.35              | 97.86%  | 6,014.89              | 94.23%  | 9,565.13              | 87.00%  | 1,038.30                    | 84.47%  | 1,376.39              | 64.54%  |
| Non-Offset     | 94.51                 | 2.14%   | 368.43                | 5.77%   | 1,429.00              | 13.00%  | 190.83                      | 15.53%  | 756.15                | 35.46%  |
| <b>Total</b>   | <b>4,425.86</b>       | <b>100.00%</b>  | <b>6,383.32</b>       | <b>100.00%</b>  | <b>10,994.12</b>      | <b>100.00%</b>  | <b>1,229.14</b>             | <b>100.00%</b>  | <b>2,132.54</b>       | <b>100.00%</b>  |

## Sales and Marketing

As of June 30, 2022, our sales and marketing team had 4 employees reporting to the Chairman and Managing Director. Our marketing strategy is structured around a customer-centric approach wherein our business decisions revolve around the needs of the customer. We regularly interact with customers by utilising the feedback and sticking to committed delivery schedules on the projects being handled under offset obligations. Further, we participate in various defence exhibitions to showcase our capabilities and services as part of our promotional activities. A team in our Company co-ordinates the sales and marketing approach by drawing up proposals, project management presentations, payment follow-up, delivery coordination and customer support and feedback.

### Customer Service and Support

We ensure all round customer satisfaction by delivering customised products to make our customers achieve their intended goals. We consider customer satisfaction and feedback as a critical yardstick of business success, and we use the information obtained to fine tune the relevant internal processes and quality aspects. Our customer service and support team had 4 qualified engineers as of June 30, 2022.

## Exports

A significant portion of our revenue is generated from the export of our products to Israel, and partly to North America and Korea. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, our revenue from operations from exports were ₹ 3,371.67 million, ₹ 3,801.16 million, ₹ 6,116.94 million, ₹ 561.20 million and ₹ 1,003.21 million, respectively, and accounted for 76.45%, 59.59%, 55.73%, 45.66% and 47.04%, respectively, of our revenue from sale of products. In Fiscal 2022, we exported US\$ 76 million worth of equipment accounting for 4.7% of the overall defence exports from India (*Source: Company Commissioned F&S Report*).

The following table sets forth our revenue from exports based on the country to which we export our products to for the periods indicated:

| Export Customer | Fiscal                |   |                       |   |                       |   | Three months ended June 30, |   |                       |   |
|-----------------|-----------------------|---|-----------------------|---|-----------------------|---|-----------------------------|---|-----------------------|---|
|                 | 2020                  |   | 2021                  |   | 2022                  |   | 2021                        |   | 2022                  |   |
|                 | (Standalone)          |   | (Standalone)          |   | (Consolidated)        |   | (Standalone)                |   | (Consolidated)        |   |
|                 | Amount<br>(₹ million) | Percentage<br>of Total<br>Export<br>Revenues<br>(%) | Amount<br>(₹ million) | Percentage<br>of Total<br>Export<br>Revenues<br>(%) | Amount<br>(₹ million) | Percentage<br>of Total<br>Export<br>Revenues<br>(%) | Amount<br>(₹ million)       | Percentage<br>of Total<br>Export<br>Revenues<br>(%) | Amount<br>(₹ million) | Percentage<br>of Total<br>Export<br>Revenues<br>(%) |
| Israel          | 3,278.66              | 97.24%  | 3,786.02              | 99.60%  | 6,116.59              | 99.99%  | 561.20                      | 100%  | 1,003.20              | 99.99%  |
| Korea           | 82.30                 | 2.44%   | -                     | -   | -                     | -   | -                           | -   | -                     | -   |
| Americas        | 10.71                 | 0.32%   | 15.14                 | 0.40%   | 0.35                  | 0.01%   | -                           | -   | 0.01                  | 0.01%   |
| <b>Total</b>    | <b>3,371.67</b>       | <b>100.00%</b>                                      | <b>3,801.16</b>       | <b>100.00%</b>                                      | <b>6,116.94</b>       | <b>100.00%</b>                                      | <b>561.20</b>               | <b>100.00%</b>                                      | <b>1,003.21</b>       | <b>100.00%</b>                                      |

### Health, Employee Safety and Environment

We are committed to following best practices and complying with all applicable health, safety and environmental legislation and other requirements in our operations.

Employee health and safety is of high importance to us. Any mishaps or accidents at our facilities could lead to property damage, production loss, adverse publicity and accident claims. We deploy a safety and health program consistent with good operating practices and maintain compliance with applicable safety and health regulations. Additionally, in order to ensure safety at our workplace we carry out regular identification and assessment of risks, accessible first-aid health facilities and conduct a program of safety and health inspections to discover and correct unsafe working, conduct awareness sessions to increase safety awareness and promote safe working practices. We also carry out regular fire and emergency drills. Our internal training programme includes training for the use of hazardous material for safety, training for use of smoke exhaust at soldering area for safety, training for use of the personal protective equipment for safety.

Our Company is classified under “Green” category signifying non-polluting industry. We continually aim to comply with the applicable health and safety regulations and other requirements in our business operations. We endeavour to ensure that our safety management policy is consistent with the requirements of the government safety, health and environmental regulations. We implement work safety measures to ensure a safe working environment including general guidelines for health and safety at our manufacturing facility, accident reporting, wearing personal protective equipment and maintaining clean and orderly work locations.

Environmental requirements imposed by the regulatory authorities in India will continue to have an effect on our operations. We believe that we have materially complied, and will continue to comply, with all applicable environmental laws, rules and regulations. We have obtained environmental consents and licenses from the relevant governmental agencies that are necessary for us to carry on our business. For information regarding applicable health, safety and environmental laws and regulations, see “*Key Regulations and Policies of India*” on page 191. Also see “*Risk Factors – We are subject to various laws, regulations, approvals and licenses required in the ordinary course of business, including environmental, health and safety laws and other regulations. Any failure to obtain or retain them in a timely manner may materially adversely affect our operations.*” on page 48.

### Intellectual Property

As of the date of this Red Herring Prospectus, our Company does not have any registered trademarks. Further, we do not own the brand name ‘DCX’. We use the brand name ‘DCX’ pursuant to a no objection letter dated November 14, 2011 received from DCX-Chol Enterprises, Inc. For details, see “*Risk Factors - We do not own the brand name ‘DCX’. We use the brand name ‘DCX’ pursuant to a no objection letter received from DCX-Chol Enterprises, Inc. In the event that we have to discontinue the use of the of brand name ‘DCX’ or the logo, it may adversely affect our business and financial condition.*” on page 33.

## Quality Assurance and Certifications

Over the years, our focus has been on creating manufacturing systems and processes that comply with health and safety, as well as environmental and social and governance requirements, and have resulted in obtaining the defence industrial license for the manufacture of defence subsystems that includes microwave components, modules for radar and electronic warfare sub-systems, microwave sub-modules, for command and guidance units for missile sub-systems, by the Ministry of Commerce and Industry, Government of India as well as several accreditations in our business operations. These accreditations include AS-9100:2016 for quality management systems for aviation, space and defense organisation, ISO 9001:2015 for quality management systems and ANSI ESD 20:20-2014 for electrostatic discharge control program. We have a Certified IPC Trainer for IPC 620B/WHMA for manufacturing cable and wire harnesses, IPC 610D for manufacturing printed circuit board assemblies by the IPC, and are also J-STD certified for soldering activity for aerospace and defence products. Our customers expect us to undertake extensive product approvals and/or certification process and some of our customers also perform their own quality checks to ensure that our products meet their demands and comply with the requirements.

Certain information regarding our certifications are shown in the table below:

| Certifications / Licences                              | Description   |
|--|---|
| AS-9100:2016   | Quality Management System - Requirements for Aviation, Space and Defense organizations  |
| ISO 9001:2015  | Quality Management System   |
| ANSI ESD S20.20-2014                                   | Electrostatic Discharge Control Program   |
| IPC/WHMA-A-620 (Certified IPC Trainer)                 | Requirements and Acceptance for Cable and Wire Harness Assemblies   |
| IPC/WHMA-A-620 (Certified IPC Specialist)              | Requirements and Acceptance for Cable and Wire Harness Assemblies   |
| IPC-A-610 CIS Certification (Certified IPC Specialist) | Acceptability of Electronic Assemblies  |
| IPC J-STD-001 CIS (Certified IPC Specialist)           | Requirements for Soldered Electrical and Electronic Assemblies  |
| Defence Industrial License                             | Manufacture of microwave modules for radar and electronic warfare sub-systems, microwave modules for command and guidance units for missile sub-systems |

## Awards and Recognition

We have been recognised with several awards by various industry bodies and association for the quality of our products. We have also received various recognition and awards including the ‘Two Star Exporter House’ award by the Directorate General of Foreign Trade, Government of India, conferred the Excellence Award for Industrial Development by the Indian Economic Development and Research Association at the National Seminar on Outstanding Contributions to National Development in 2018, awarded the most promising Manufacturing (Cables) Company of the Year – 2018 at the 11<sup>th</sup> International Achievers Summit on ‘Global Business Operations’, won the India 5000 Best MSME Award – 2018, awarded the Business Leadership Award for Excellence in Defence Electronics Exports by International Achievers’ Awards – Dubai 2021.

Our Individual Promoter, Chairman and Managing Director, Dr. H.S. Raghavendra Rao, has also been recognised by various prestigious associations and institutions, including the Business Leadership award from the International Peace University, Germany, the Mahatma Gandhi Samman Award by NRI Welfare Association Society of India, and the Business Leadership Award at the International Achievers Awards held in Dubai in 2021. For further information, see “*History and Certain Corporate Matters – Key Awards, Accreditations and Recognition*” on page 199.

## Human Resources

As on June 30, 2022, we had 98 full time employees. In addition to our full time employees we frequently hire workers on a contractual basis primarily in connection with our manufacturing activities. As of June 30, 2022, the average tenure of employees with our Company is 7 years. Our attrition rate was 2.23%, 2.50%, 2.24% in the last three Fiscals and 2.61% and 0.83% in the three months ended June 30, 2021 and June 30, 2022, which is below



the industry average and standards (*Source: Company Commissioned F&S Report*).

A function-wise break-up of our employees as of June 30, 2022, is set out in the table below:

| Function               | Number of Employees |
|------------------------|---------------------|
| Sales and marketing    | 4                   |
| Business Operations    | 74                  |
| Services and Corporate | 20                  |
| <b>Total</b>           | <b>98</b>           |

Our human resource practices are aimed at recruiting talented individuals, ensuring continuous development and addressing their grievances, if any, in a timely manner. According to our resource planning and control policy, we organize training of our employees which are usually aimed at imparting information and/or instructions to improve our employees performance or to help him attain a required level of knowledge or skill. We train all our employees in our manufacturing operations, including machine utilization, operations flow, quality management and work safety.

Our employees are not unionised into any labour or workers' unions and we have not experienced any major work stoppages due to labour disputes or cessation of work in the last three years. For further information, see "*Risk Factors – Our business may be adversely affected by work stoppages, increased wage demands by our employees, or an increase in minimum wages across various states, and if we are unable to engage new employees at commercially attractive terms.*" on page 40.

We believe that our management policies, working environment, career development opportunities and employee benefits are instrumental in maintaining good employee relations and employee retention. We identify, develop and retain our talent through an array of initiatives which include talent acquisition, learning and development, compensation and benefits, employee engagement and performance management.

Our employees also undergo regular training. Training needs for each year are arrived at based on business requirements, inputs from the performance management system, inputs from customer feedback, process requirements, new technology requirement and bridging identifications. A training plan is prepared for each Fiscal and four types of training form a part mandatorily, namely induction, technical skills, process/functional and soft skills.

### **Corporate Social Responsibility**

We have constituted a Corporate and Social Responsibility Committee of our Board and have adopted and implemented a CSR policy, pursuant to which we carry out various CSR activities. The CSR initiatives and the budget for the year as per statutory norms, are decided based on requirement priority and the location, by a specially constituted Committee headed by the Director and select senior management as members or permanent invitees. Our CSR activities include, among others, implementing various activities in the healthcare, animal welfare, environmental protection, sanitation and drinking water sectors.

### **Insurance**

Our operations are subject to risks inherent to the engineering and manufacturing industry, such as storm, fire, tempest, earthquake, flood, inundation, explosions including hazards that may cause severe damage, including the physical destruction of property, and other force majeure events. We are subject to losses resulting from defects or damages arising during transit of our products. We maintain insurance coverage, in amounts which we believe are commercially appropriate, including insurance in relation to group health, standard fire and special perils, burglary, riots and all industrial risks.

As of March 31, 2020, 2021 and 2022, and as of June 30, 2021 and June 30, 2022, the aggregate coverage of the insurance policies obtained by us on insurable fixed assets was ₹ nil, ₹ 215.00 million, ₹ 286.96 million, ₹ 275.53 million and ₹ 286.96 million, respectively. Further, our insurance cover as a percentage of total insurable fixed assets was nil, 185.15%, 265.85%, 247.02% and 275.71%, respectively, as of March 31, 2020, 2021 and 2022 and as of June 30, 2021 and June 30, 2022. Further as of March 31, 2020, 2021 and 2022 and as of June 30, 2021 and June 30, 2022, the aggregate coverage of the insurance policies obtained by us on inventory was ₹ 250.00 million, ₹ 500.00 million, ₹ 1,440.00 million, ₹ 1,440.00 million and ₹ 1,440.00 million, respectively which as a percentage

of total inventory was 32.38%, 24.79%, 528.42%, 99.82% and 179.28%, respectively. We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance.

Also see, *“Risk Factors – Our business involves significant risks and uncertainties and our insurance coverage may not be adequate or we may incur uninsured losses or losses in excess of our insurance coverage.”* on page 51.

## **Competition**

We operate in the highly competitive system integration and cable and wire harness assemblies industry. To remain competitive in our markets which varies by geographic areas and type of products manufactured, we must continuously strive to reduce our costs of production, transportation and distribution and improve our operating efficiencies. We compete with both domestic and international companies, primarily on the basis of product quality, technology, cost, delivery and service, as well as quality and depth of senior level relationships as well as the operating level relationships.

Our current product portfolio allows us to cater to various segments in the system integration, wires and cable harnesses and kitting verticals and as a result, we compete with various companies for each of our business verticals. Our main competitors include Data Patterns Private Limited, Astra Microwave Products Limited, Centum Electronics Limited, Bharat Electronics Limited, and Paras Defence and Space Technologies Limited. (Source: *Company Commissioned F&S Report*) Certain of these entities are also our customers.

For further information, see, *“Risk Factors – We face significant competitive pressures in our industry. Our inability to compete effectively would be detrimental to our business and prospects for future growth.”* on page 37.

## **Properties**

Our registered and corporate office and manufacturing facility is leased to us by KIADB on a 99-year leasehold basis by way of a lease deed dated January 30, 2018 read with possession certificate issued by KIADB dated October 7, 2017, and is located at Plot #29, 30 & 107, Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka.

For further information, see *“ – Our Manufacturing Facility and Capabilities”* on page 176.

Also see, *“Risk Factors – Our manufacturing facility and our Registered and Corporate Office is located on land not owned by us and we have only leasehold rights. In the event we lose or are unable to renew such leasehold rights, our business, financial condition and results of operations may be adversely affected.”* on page 46.

## KEY REGULATIONS AND POLICIES IN INDIA

*The following is an overview of the important laws, policies and regulations which are relevant to our business and related sectors. The regulations set out below are not exhaustive and are only intended to provide general information. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative, or judicial decisions. The following is only intended to provide general information to the investor and is neither designed nor intended to be a substitute for professional legal advice. For details of government approvals obtained by us, where necessary, in compliance with these regulations, refer to “Government and Other Approvals” on page 336.*

We are among the leading Indian players for the manufacture of electronic sub-systems and cable harnesses in terms of manufacturing capability and revenues in Fiscal 2022 in the defence and aerospace sector (*Source: Company Commissioned F&S Report*). We are primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harnesses assemblies and are also involved in kitting. We commenced operations in 2011 and have been a preferred Indian Offset Partner (“IOP”) for foreign original equipment manufacturers (“OEMs”) for executing aerospace and defence projects (*Source: Company Commissioned F&S Report*).

Under the provisions of various Central Government and State Government statutes and legislations, our Company is required to obtain and periodically renew certain licenses or registrations and to seek statutory permissions to conduct our business and operations. For details, see “Government and Other Approvals” on page 336.

Given below is a brief description of certain relevant legislations that are currently applicable to the business carried on by us.

### I. Industry-specific Regulations

#### ***Industries (Development and Regulation) Act, 1951, as amended (“IDAR Act”)***

The IDAR Act has been liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from licensing except for certain industries, including among others, all types of electronic aerospace and defence equipment. The IDAR Act is administered by the Ministry of Commerce & Industries through the DPIIT.

#### ***Defence Acquisition Procedure (“DAP”), 2020***

The Ministry of Defence has announced the DAP, 2020 which has come into effect from October 1, 2020, and has superseded the Defence Procurement Procedure, 2016. DAP focuses on significantly boosting indigenous production and turning India into a global defence manufacturing hub of weapons and military platforms. DAP has been aligned with the vision of the Government’s Atmanirbhar Bharat (self-reliant India) initiative and aims to empower Indian domestic defence industry through ‘Make in India’ projects. This policy will significantly boost indigenous defence capabilities. The Department of Military Affairs, MoD has prepared a list of 101 items for which there would be an embargo on the import (Import Embargo List), as set out in the press release dated August 9, 2020, issued by MoD. This list comprises of not just simple parts but also some high technology weapon systems such as artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars and many other items to fulfil the needs of our defence services. Further, the DAP aims to develop India into a global hub for defence manufacturing and has been aligned to encourage foreign vendors to set up in India. Additionally, the DAP contains detailed guidelines, inter alia, in relation to: (i) acquisition categories, acquisition planning and indigenous content; (ii) acquisition procedures for categories under ‘Buy’ and ‘Buy and Make’ schemes; (iii) procedure for procurement under ‘Make’ and ‘Innovation’ categories; and (iv) procedure for acquisition of systems designed and developed by the DRDO/DPSUs/OFB; (v) fast track procedure; (vi) standardization of contract document; (vii) revitalising defence industrial ecosystem through strategic partnerships; (viii) acquisition of system products and information and communication technology systems; (ix) leasing; (x) other capital procurement procedure; (xi) post contract management; and (xii) procedure for defence ship building. It also contains guiding principles on the intellectual property rights of the government in ‘Make-I’ projects, which are funded by the MoD.

The DAP outlines the defence offset policy, which is aimed at leveraging capital acquisitions and technology to develop the Indian defence industry by fostering development of internationally competitive enterprises and augmenting capacity for research, design and development related to defence products. Provisions on offsets would be applicable to 'Buy (Global)' categories of procurement, where the estimated acceptance on necessity cost is ₹ 20,000 million or more. If an Indian vendor participating in the 'Buy (Global)' category fails to meet the minimum requirement of 30% indigenous content in the product, it would be required to discharge offsets. The required value of such offset obligations would be 30% of the estimated cost of the acquisition. The DAP will remain in force till September 30, 2025, or till reviewed.

***Draft Defence Production & Export Promotion Policy, 2020 as amended ("Draft DPEPP")***

The MoD released the Draft DPEPP to provide further impetus to realise the goal of self-reliance under the goal of Atmanirbhar Bharat, which is to develop a dynamic, robust and competitive defence industry, including aerospace and navalshipbuilding industry, to cater to the needs of armed forces, along with giving end to end solutions ranging from design to production, with active participation from the public and private sectors, thus fulfilling the twin objectives of self-reliance as well as exports. The Draft DPPEP aims to implement measures to achieve a turnover of ₹ 1,750,000 million (US\$ 25 billion) including export of ₹ 350,000 million (US\$ 5 billion) in aerospace and defence goods and services by 2025. Further, its objective is to reform as well as standardize defence procurement by providing support to micro, small and medium enterprises/ start-ups to indigenize the manufacturing of imported components. Additionally, the Draft DPPEP has the following goals: (i) to reduce dependence on imports and take forward the "Make in India" initiative through domestic design and development; (ii) to promote export of defence products and become part of the global defence value chains; (iii) to create an environment that encourages research and development, rewards innovation, creates Indian intellectual property ownership and promotes a robust and self-reliant defence industry; (iv) enhance investment promotion with the association of the Ministry of Civil Aviation by offering incentives to global and domestic original equipment manufacturers to set up design and manufacturing facilities in India; and (v) liberalize foreign direct investment in the defence sector for attracting global original equipment manufacturers to shift manufacturing facilities and expand India's presence in international supply chains.

***Aircraft Act, 1934 as amended ("Aircraft Act"), the Aircraft Rules, 1937 as amended ("Aircraft Rules") and the Drone Rules, 2021 as amended ("Drone Rules")***

The Aircraft Act and the Aircraft Rules were enacted to control the manufacture, possession, use, operation, sale, and the import and export of aircrafts. They stipulate parameters for determining airworthiness, maintenance of aircrafts, general conditions for flying and safety, registration of aircrafts and conduct of investigations. The Directorate General of Civil Aviation ("DGCA") is the competent authority for providing the abovementioned license and approvals. The DGCA is the regulatory body in the field of civil aviation primarily responsible for regulation of air transport services to/ from/ within India and for enforcement of civil air regulations, air safety and airworthiness standards. Further, the Bureau of Civil Aviation Security ("BCAS") is an independent authority responsible for laying down standards and measures with respect to security of civil flights at international and domestic airports in India.

Pursuant to the Aircraft (Amendment) Act, 2020, three regulatory bodies under the Ministry of Civil Aviation were accorded the status of statutory organisations. The DGCA is responsible for carrying out safety oversight and regulatory functions, the BCAS is responsible for carrying out regulatory and oversight functions in respect of matters relating to civil aviation security and the Aircraft Accidents Investigation Bureau ("AAIB") is responsible for matters related to investigation of aircraft accidents or incidents.

The Ministry of Civil Aviation notified the Drone Rules 2021, replacing the erstwhile Unmanned Aircraft System Rules, 2021. These rules were released just 6 months after the previous draft of regulations on drones, the UAS Rules, released in March 2021. The Drone Rules apply to all drones with maximum all-up-weights of up to 500 kgs which are registered in India or being operated over India. As per the Drone Rules, no person can operate an unmanned aircraft system without first registering it on the digital sky platform and obtaining a unique identification number unless exempted from the requirement of a unique identification number under these rules. The Ministry of Civil Aviation has also launched an interactive drone airspace map having red zones, yellow zones, and green zones. A red zone that requires prior permission from Central Government to operate drone. Yellow zone signifies the area which requires prior permission from the concerned air traffic authority.

### ***Draft Space Activities Bill, 2017 as amended (“Draft Space Bill”)***

The Draft Space Bill aims to implement a national space legislation for supporting the overall growth of the space activities in India. This would encourage enhanced participation of non-governmental/ private sector agencies in space activities in India in compliance with international treaty obligations, which is becoming very relevant today. It proposes that the Central Government put in place a space activity regulatory mechanism to promote the growth of every matter relating to space activity, including exploration and use of outer space and to foster the development of scientific and technical potential in the sector, as well as a mechanism for the authorisation and licensing of commercial space activity. The Draft Space Bill is pending clearance from the parliament of India.

### ***The Foreign Trade (Development and Regulation) Act, 1992 (“Foreign Trade Act”)***

The Foreign Trade Act includes provisions which govern and facilitate the imports and exports to and from India. Imports and exports are permitted by persons who hold an “Importer-exporter code number” (“IEC”) unless such person is specifically exempted. Such imports and exports must be carried out in accordance with the laws and export and import policy issued by the Central Government, from time to time. In the event of any contravention of the laws relating to central excise or customs or foreign exchange or any other economic offence under any other law for the time being in force as may be specified by the Central Government by notification in the Official Gazette or if an export or import has been carried out in a manner gravely prejudicial to the trade relations of India with any foreign country or to the interests of other persons engaged in imports or exports or has brought disrepute to the credit or the goods or services or technology provided from the country, any person who imports or exports specified goods or services or technology, in contravention of any provision of this Act or any rules or orders made thereunder or the foreign trade policy. These instances may result in the suspension and cancellation of the IEC number.

## **II. ENVIRONMENTAL LAWS**

### ***The Environment (Protection) Act, 1986 (“EPA”), Environment Protection Rules, 1986 (the “EP Rules”) and the Environmental Impact Assessment Notification, 2006 (“EIA Notification”)***

The EPA has been enacted for the protection and improvement of the environment. The EPA empowers the government to take all measures to protect and improve the quality of environment, such as by laying down standards for emission and discharge of pollutants, providing for restrictions regarding areas where industries may operate and laying down safeguards for handling hazardous substances, amongst others. It is in the form of an umbrella legislation designed to provide a framework for Central Government to coordinate the activities of various central and state authorities established under previous laws. It is also in the form of an enabling law, which delegates wide powers to the executive to enable bureaucrats to frame necessary rules and regulations. Further, the EP Rules specify, inter alia, the standards for emission or discharge of environmental pollutants, restrictions on the location of industries and restrictions on the handling of hazardous substances in different areas. For contravention of any of the provisions of the EPA or the rules framed thereunder, the punishment includes either imprisonment or fine or both. Additionally, under the EIA Notification and its subsequent amendments, projects are required to mandatorily obtain environmental clearance from the concerned authorities depending on the potential impact on human health and resources. Under the EIA notification, all projects are divided into three categories- A, B1 and B2 based on the potential social and environmental impacts with category A projects facing maximum scrutiny while category B2 projects being exempt from the requirement of carrying out EIA and public consultation process. On 23 March 2020, the Indian Ministry of Environment, Forest, and Climate Change (hereinafter ‘the Ministry’) issued Draft Environmental Impact Assessment Notification, 2020 (hereinafter the ‘Draft EIA Notification’), which is intended to replace the existing EIA Notification. The Draft EIA Notification has recategorized certain projects from category A to B1 or B2 such as river-valley hydroelectric projects. Further, it has allowed projects to apply for post-facto clearance subject to having a remediation and resource augmentation plan equivalent to 1.5 to 2 times the damage assessed and economic benefits derived.

### ***The Water (Prevention and Control of pollution) Act, 1974 (“Water Act”)***

The Water Act aims to prevent and control water pollution and to maintain or restore wholesomeness of

water. The Water Act provides for one Central Pollution Control Board, as well as state pollution control boards, to be formed to implement its provisions, including enforcement of standards for factories discharging pollutants into stream or well or sewer or on land. Any person intending to establish any industry, operation or process or any treatment and disposal system likely to discharge sewage or other pollution into a stream or well or sewer or on land, is required to obtain the consent of the relevant state pollution control board by making an application.

#### ***The Air (Prevention and Control of Pollution) Act, 1981, as amended (“Air Act”)***

The Air Act aims to prevent, control, and abate air pollution, and stipulates that no person shall, without prior consent of the relevant state pollution control board, establish or operate any industrial plant which emits air pollutants in an air pollution control area. They also cannot discharge or cause or permit to be discharged the emission of any air pollutant in excess of the standards laid down by the State Boards. The Central Pollution Control Board and the state pollution control boards constituted under the Water Act perform similar functions under the Air Act as well. Pursuant to the provisions of the Air Act, any person establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant state pollution control board prior to establishing or operating such industrial plant.

### **Labour Legislations**

#### **Factories Act, 1948 (the “Factories Act”)**

The Factories Act defines a “factory” to cover any premises which employs 10 or more workers and in which manufacturing process is carried on with the aid of power and any premises where there are at least 20 workers, even while there may not be an electrically aided manufacturing process being carried on. State Governments have the authority to formulate rules in respect of matters such as prior submission of plans and their approval for the establishment of factories and registration and licensing of factories. The Factories Act provides that the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety, and welfare of all workers. It provides such safeguards of workers in the factories as well as offers protection to the workers and improve their working conditions

#### ***Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013***

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was enacted to curb the rise in sexual harassment that women were facing in their workplaces and it intended to make workplaces safer for them by enacting for prevention of such harassment and redressal of complaints and for matters connected with sexual harassment. The terms sexual harassment and workplace are both defined in the act. Every employer of a workplace is required to constitute an “Internal Complaints Committee (“**Internal Committee**”)” and that the Presiding Officer and every Member of the Internal Committee shall hold office in the committee for a period, not exceeding three years, from the date of nomination. Any aggrieved woman can make a complaint in writing to the Internal Committee in relation to sexual harassment at the workplace. Every employer has a duty to provide a safe working environment at the workplace which shall include safety from the persons coming into contact at the workplace, organizing awareness programmes and workshops, displaying the penal consequences of sexual harassment at any conspicuous part of the workplace, providing necessary facilities to the Internal Committee formed for dealing with the complaint, such other procedural requirements to assess the complaints.

#### ***Other applicable labour legislations***

The employment of workers, depending on the nature of activity, is, at present, regulated by a wide variety of generally applicable labour laws. The following is an indicative list of labour laws applicable to our operations owing to the nature of our business activities:

- a. Employees’ Provident Funds and Miscellaneous Provisions Act, 1952;
- b. Employees’ Compensation Act, 1923;
- c. Employees’ State Insurance Act, 1948;
- d. Equal Remuneration Act, 1976;
- e. Maternity Benefit Act, 1961;

- f. Payment of Bonus Act, 1965; and
- g. Payment of Gratuity Act, 1972.

### ***Labour Codes***

In order to rationalize and reform labour laws in India, the Government has enacted four labour codes that would subsume primarily all of the central labour laws and would collectively form the governing labour legislations, as and when brought into effect. These four codes are:

#### *(a) The Code on Wages, 2019*

The Code on Wages, 2019 received the assent of the President of India on August 8, 2019 and proposes to subsume four existing laws namely, the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976. The Central Government has notified certain provisions of this code predominantly concerning the constitution of the Central Advisory Board and other provisions of this code will be brought into force on a date to be notified by the Central Government.

#### *(b) The Occupational Safety, Health and Working Conditions Code, 2020*

The Occupational Safety, Health and Working Conditions Code, 2020 received the assent of the President of India on September 28, 2020 and proposes to subsume certain existing legislations, including the Factories Act, 1948, the Contract Labour (Regulation and Abolition) Act, 1970, the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979, the Plantations Labour Act, 1951, the Mines Act, 1952, the Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955, the Working Journalists (Fixation of Rates of Wages) Act, 1958, the Motor Transport Workers Act, 1961, the Beedi and Cigar Workers (Conditions of Employment) Act, 1966, the Sales Promotion Employees (Conditions of Service) Act, 1976, the Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981, the Dock Workers (Safety, Health and Welfare) Act, 1986 and the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The provisions of this code will be brought into force on a date to be notified by the Central Government.

#### *(c) The Industrial Relations Code, 2020*

The Industrial Relations Code, 2020 received the assent of the President of India on September 28, 2020 and it proposes to subsume three existing legislations, namely, the Industrial Disputes Act, 1947, the Trade Unions Act, 1926 and the Industrial Employment (Standing Orders) Act, 1946. The provisions of this code will be brought into force on a date to be notified by the Central Government.

#### *(d) The Code on Social Security, 2020*

The Code on Social Security, 2020 received the assent of the President of India on September 28, 2020 and it proposes to subsume certain existing legislations including the Employee's Compensation Act, 1923, the Employees' State Insurance Act, 1948, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Maternity Benefit Act, 1961, the Payment of Gratuity Act, 1972, the Building and Other Construction Workers' Welfare Cess Act, 1996 the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, the Cine-Workers Welfare Fund Act, 1981 and the Unorganised Workers' Social Security Act, 2008. The provisions of this code will be brought into force on a date to be notified by the Central Government.

### ***Shops and establishments legislations in various states***

Under the provisions of local shops and establishments legislations applicable in the states in which establishments are set up, establishments are required to be registered. These legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of opening and closing hours, daily and weekly working hours, rest intervals, overtime, holidays, leave, health and safety measures, termination of service, wages for overtime work, maintenance of shops and establishments and other rights and obligations of the employers and employees. There are penalties prescribed in the form of monetary fine or imprisonment for

violation of the legislations.

### III. Tax-Related Legislations

#### *Central Goods and Services Tax Act, 2017, as amended*

The Central Goods and Services Tax Act, 2017 (the “**GST Act**”) levies tax on the intra-state supply of goods and services throughout India to replace multiple taxes levied by the Central and State Governments on production, supply and sale of goods and providing of services in India, applicable from July 1, 2017. Under the GST Act, goods and services are taxed under five different categories, being 0%, 5%, 12%, 18% and 28%. GST is levied on all transactions such as supply, transfer, purchase, barter, lease, or import of goods and/or services. Transactions made within a single state are levied with Central GST (“**CGST**”) by the Central Government and State GST (“**SGST**”) by the government of that state. For inter-state transactions and imported goods or services, an Integrated GST (“**IGST**”) is levied by the Central Government. GST is a consumption-based tax; therefore, taxes are paid to the state where the goods or services are consumed and not the state in which they were produced.

Additional tax-related laws that are applicable to us include the Income Tax Act, 1961 along with various rules and notifications issued by the tax authorities.

### IV. Other Laws

In addition to the aforementioned material laws and regulations, which apply to our Company, our Company is also required to comply with the provisions of the Companies Act, 2013 and rules framed thereunder, the Consumer Protection Act, 2019, and other applicable statutes promulgated by the relevant Central and State Governments including the central and state tax laws.

Foreign investment in India is governed by the provisions of FEMA Non-Debt Rules along with the Consolidated FDI Policy, 2020 issued by the DPIIT, from time to time. Further, the RBI has enacted the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 which regulate the mode of payment and reporting requirements for investments in India by a person resident outside India.

Under the current FDI Policy 100% foreign direct investment is permitted in the Defence sector under the government approval route and 74% is permitted under the automatic route, subject to compliance with certain prescribed conditions. Foreign direct investment up to 74% is permitted under automatic route for companies seeking new industrial licenses. Further, pursuant to FDI Policy, infusion of fresh foreign investment up to 49%, in a company not seeking industrial license or which already has government approval for FDI in Defence sector, is required to mandatorily submit a declaration with the Ministry of Defence in case change in equity/shareholding pattern or transfer of stake by existing investor to new foreign investor for FDI up to 49%, within 30 days of such change. For FDI beyond 49% in such companies, government approval will be required.

In terms of the SEBI FPI Regulations, the investment in Equity Shares by a single FPI or an investor group (which means multiple entities registered as FPIs and directly or indirectly having common ownership of more than 50% or common control) must be below 10% of the total paid-up equity capital on a fully diluted basis of the company. Further, in terms of the FEMA Non-Debt Instrument Rules, the total holding by each FPI or an investor group shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together with effect from April 1, 2020, can be up to the sectoral cap applicable to the sector in which our Company operates (i.e., up to 49% under the automatic route and beyond 49% under the government approval route). For further details, see “*Offer Procedure*” on page 360.

#### *Competition Act, 2002 (“Competition Act”)*

The Competition Act is an act to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect interest of consumer and to ensure freedom of trade in India. The act deals with prohibition of (i) certain agreements such as anti-competitive agreements and (ii) abuse of dominant position and regulation of combinations. No enterprise or group shall abuse its dominant position in various circumstances as mentioned under the Competition Act.

The *prima facie* duty of the Competition Commission of India (“**Commission**”) is to eliminate practices having adverse effect on competition, promote and sustain competition, protect interest of consumer, and ensure



freedom of trade. The Commission shall issue notice to show cause to the parties to combination calling upon them to respond within 30 days in case it is of the opinion that there has been an appreciable adverse effect on competition in India. In case a person fails to comply with the directions of the Commission and Director General (as appointed under Section 16(1) of the Competition Act) he shall be punishable with a fine which may exceed to ₹0.1 million for each day during such failure subject to maximum of ₹10.0 million, as the Commission may determine.

## HISTORY AND CERTAIN CORPORATE MATTERS

### Brief history of our Company

Our Company was incorporated as “DCX Cable Assemblies Private Limited” on December 16, 2011, at Bangalore, Karnataka as a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation issued by the Registrar of Companies, Karnataka. Subsequently, in order to capture the entire business activity of our Company following integration undertaken in its business model, the name of our Company was changed to ‘DCX Systems Private Limited’ pursuant to a special resolution dated November 24, 2021 passed by our shareholders and a fresh certificate of incorporation consequent upon change of name issued by the RoC on January 3, 2022. Further, consequent upon conversion into a public limited company under the Companies Act, 2013 and pursuant to a special resolution passed by our Shareholders on February 2, 2022 and fresh certificate of incorporation dated February 18, 2022 issued by the RoC, the name of our Company was changed to “DCX Systems Limited”.

### Changes in our registered office

Except as disclosed below, there has been no change in the registered office of our Company since incorporation:

| Date of change of registered office | Details of the address of Registered and Corporate Office   | Reasons for change                             |
|-------------------------------------|---|--|
| January 23, 2012                    | The registered office of our Company was changed from #S4, Hitec Citadel-I, 15 <sup>th</sup> Main, 19 <sup>th</sup> -B Cross, Padmanabhanagar, Bengaluru – 560 070, Karnataka, India to #80, Block-II, EPIP Industrial Area, White Field, Bengaluru – 560 066, Karnataka, India.  | For operational and administrative convenience |
| January 25, 2021                    | The registered office of our Company was changed from #80, Block-II, EPIP Industrial Area, White Field, Bengaluru – 560066, Karnataka, India to Aerospace SEZ Sector, Plot numbers 29, 30 and 107, Hitech Defence and Aerospace Park, Kavadasanahalli Village, Devanahalli Taluk, Bengaluru Rural – 562110, Karnataka, India. |  |

### Main Objects of our Company

The main objects contained in our Memorandum of Association are as follows:

*“To carry on in India or elsewhere the business to Design, Develop, Manufacture, Build, Testing, Produce, Process, Convert, Assemble, Fabricate, Alter, Acquire, Repair, Maintenance, Overhauling, Service, Modify, Market, Recondition, Remodel, Commercialize, Display, Import, Export, Buy, Sell, Resell, Trading, Supply, and to act as an Agent, Indenter, Franchiser, Distributor, Consignor, Stockist, Job worker, Consultant, Contractor, Engineer, Collaborator, Supplier or otherwise, to deal in all types of Electronic, Electrical, Mechanical and Electro-Mechanical Components, Cluster, Devices, Systems, Sub-Systems, Instruments, Equipment, Appliances, Printed Circuit Boards (PCB’s), Printed Circuit Assemblies, Parts, Fittings, Accessories, Fasteners, cable assemblies, wire harnesses, wiring looms, custom and mil-spec connectors, wired enclosures and turn-key assemblies, used in all types of Defence & Aerospace, Space, marine, Industrial applications and all other allied fields.”*

The main objects as contained in our Memorandum of Association enable our Company to carry on the business presently being carried out.

### Amendments to the Memorandum of Association

Set out below are the amendments to our Memorandum of Association in the 10 years preceding the date of this Red Herring Prospectus.

| Date of Shareholders’ Resolution | Particulars   |
|----------------------------------|---|
| November 24, 2021                | Clause IIIA of the MoA was amended pursuant to reflect the substitution of the erstwhile main objects clause with the following clause:<br><i>“To carry on in India or elsewhere the business to Design, Develop, Manufacture, Build, Testing, Produce, Process, Convert, Assemble, Fabricate, Alter, Acquire, Repair, Maintenance, Overhauling, Service, Modify, Market, Recondition, Remodel,</i> |

| Date of Shareholders' Resolution | Particulars   |
|----------------------------------|---|
|                                  | <i>Commercialize, Display, Import, Export, Buy, Sell, Resell, Trading, Supply, and to act as an Agent, Indenter, Franchiser, Distributor, Consignor, Stockist, Job worker, Consultant, Contractor, Engineer, Collaborator, Supplier or otherwise, to deal in all types of Electronic, Electrical, Mechanical and Electro-Mechanical Components, Cluster, Devices, Systems, Sub-Systems, Instruments, Equipment, Appliances, Printed Circuit Boards (PCB's), Printed Circuit Assemblies, Parts, Fittings, Accessories, Fasteners, cable assemblies, wire harnesses, wiring looms, custom and mil-spec connectors, wired enclosures and turn-key assemblies, used in all types of Defence &amp; Aerospace, Space, marine, Industrial applications and all other allied fields."</i> |
| November 24, 2021                | Clause V of the MoA was amended to reflect the reclassification of the authorized share capital of our Company from ₹ 50,000,000 divided into 3,500,000 equity shares of ₹ 10 each and 150,000 Fully Convertible Preference Shares of ₹100 each to ₹ 50,000,000 divided into 5,000,000 equity shares of ₹ 10 each   |
| November 24, 2021                | Clause I of the MoA was amended to reflect the change in the name of our Company from "DCX Cable Assemblies Private Limited" to "DCX Systems Private Limited".  |
| January 25, 2022                 | Clause V of the MoA was amended to reflect the split in the authorized share capital of our Company from ₹ 50,000,000 divided into 5,000,000 equity shares of ₹ 10 each to ₹ 50,000,000 divided into 25,000,000 Equity Shares of face value of ₹ 2 each   |
| January 27, 2022                 | Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Company from ₹ 50,000,000 divided into 25,000,000 Equity Shares of face value of ₹ 2 each to ₹250,000,000 divided into 125,000,000 Equity Shares of face value of ₹ 2 each   |
| February 2, 2022                 | Clause I of the MoA was amended to reflect the change in the name of our Company from "DCX Systems Private Limited" to "DCX Systems Limited".   |

### Major events and milestones of our Company

The table below sets forth the major events and milestones in the history of our Company:

| Year | Particulars  |
|------|--|
| 2011 | Incorporated as a private limited company  |
| 2012 | Executed our first direct export order   |
| 2013 | Executed our first deemed export order   |
| 2015 | Granted industrial license by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India for manufacturing items including microwave components, electronic components, and assembly and testing of microwave modules |
| 2018 | Granted authorisation for export of Munitions List items to M/s IAI Elta System, Israel for end use of Indian Air Force and Navy   |
| 2018 | Signed lease deed for 6,070 square meters of land in the Aerospace SEZ Sector, Hitech, Defence & Aerospace Park  |
| 2022 | Raneal Advanced Systems Private Limited incorporated as our wholly-owned subsidiary  |

### Key Awards, Accreditations and Recognition

Our Company has received the following key awards, accreditation, and recognition:

| Year | Particulars  |
|------|--|
| 2013 | Awarded AS-9100:2016 and ISO 9001:2015 certification by DQS Inc.   |
| 2018 | Awarded the most promising Manufacturing (Cables) Company of the Year at the 11 <sup>th</sup> International Achievers Summit on 'Global Business Opportunities'                                      |
| 2018 | Conferred the Excellence Award for Industrial Development by the Indian Economic Developmental and Research Association at the National Seminar on Outstanding Contributions to National Development |
| 2018 | Won the India 5000 Best MSME Awards  |

### Launch of key products or services, entry into new geographies or exit from existing markets,

Our Company has not exited from existing markets. For information on key products or services launched by our Company or entry into new geographies, see "Our Business" on page 163.

### Capacity/ facility creation or location of plants

For details of capacity, facility creation or location of plant, see “*Our Business*” on page 163.

**Details regarding material acquisitions or divestments of business/undertakings, mergers, amalgamation or revaluation of assets in the last 10 years**

Our Company has not made any material acquisitions or divestments of any business or undertaking, and has not undertaken any merger, amalgamation or any revaluation of assets in the last 10 years.

**Time and cost over-runs**

There have been no time and cost over-runs in respect of our business operations in setting up projects.

**Defaults or re-scheduling, restructuring of borrowings with financial institutions/banks**

In the past, we were in breach of certain covenants of the financing arrangements, requiring prior approval of the lenders for any change in composition of the board of directors of our Company. There was a temporary freeze imposed on the facilities procured and bank accounts maintained with such lenders, consequent to breach of such covenants under financing arrangements. Except for this, there have been no defaults or rescheduling/restructuring of borrowings with financial institutions/ banks in respect of borrowings of our Company. Further, as on date of this Red Herring Prospectus, there are no pending defaults under the relevant facility agreements.

**Lock-out and strikes**

As on the date of this Red Herring Prospectus, there have been no lockouts or strikes at any time in our Company.

**Significant financial and strategic partners**

As on the date of this Red Herring Prospectus, our Company does not have any significant financial or strategic partners.

**Material Agreements**

***Share purchase agreement dated June 14, 2021 entered into by and amongst our Company, NCBG Holdings Inc. and Dinesh P. Shah (the “Seller”)***

NCBG Holdings Inc., one of our Corporate Promoters, entered into a share purchase agreement dated June 14, 2021, with the Seller (“SPA”), for the acquisition of 804,850 fully paid-up equity shares of our Company of face value ₹10 each representing 23% of the total issued and paid-up equity share capital of our Company on a fully diluted basis (“**Company Shares**”), for an aggregate consideration of ₹ 184.66 million. In terms of the SPA, NCBG Holdings Inc. had agreed to acquire the Company Shares subject to completion of certain conditions precedent i.e., (a) the warranties provided by the Seller being true, complete and accurate in all respects at completion of the transaction, (b) the Seller duly ensuring that Jyotivadan Occhavlal Sheth transfers 150 equity shares of our Company of face value ₹10 held by him to NCBG Holdings Inc. or its nominee at an aggregate consideration of ₹ 34,414 and completes all secretarial compliances in this regard to the satisfaction of NCBG Holdings Inc; and (b) Dinesh P. Shah having obtained the relevant certificate under section 281 of the Income Tax Act in relation to the consummation of the sale of the Company Shares as contemplated in the SPA. The Company Shares were transferred to NCBG Holdings Inc. on June 29, 2021. For details, see “*Capital Structure*” on page 87.

***Share purchase agreement dated June 17, 2021, entered into by and amongst our Company, Raneal Technologies Private Limited (“RTPL”), Narendra Narayanan and VNG Technology Private Limited (“VNG”)***

RTPL, entered into a share purchase agreement dated June 17, 2021, with Narendra Narayanan, VNG (one of our Corporate Promoters) and our Company (“SPA”), for the acquisition of 47,840 fully paid-up equity shares of VNG from Narendra Narayanan, representing 23.92% of its total issued and paid-up equity share capital on a fully diluted basis (“**Sale Shares**”), for an aggregate consideration of ₹ 97.96 million. In terms of the SPA, RTPL agreed to acquire the Sale Shares subject to completion of certain conditions precedent including Narendra Narayanan having obtained (a) a no-objection cum release letter from Canara Bank confirming that there are no

encumbrances on the Sale Shares; and (b) the relevant certificate under section 281 of the Income Tax Act in relation to the consummation of the sale of the Sale Shares as contemplated in the SPA. The Sale Shares were transferred to RTPL on July 22, 2021

***Share purchase agreement dated June 17, 2021, entered into by and amongst our Company, RTPL, VNG and Vijaybhai Somabhai Patel, Raghavendra Dibbur Narasinga Rao, MV Shubha, D.N. Srinivas and MM Jhansi (collectively, the “Sellers”)***

RTPL, entered into a share purchase agreement dated June 17, 2021, with the Sellers, VNG (one of our Corporate Promoters) and our Company (“SPA”), for the acquisition of 104,320 fully paid-up equity shares of VNG representing about 52.16% of its total issued and paid-up equity share capital on a fully diluted basis (“Sale Shares”), for an aggregate consideration of ₹ 213.61 million. In terms of the SPA, RTPL agreed to acquire the Sale Shares subject to completion of certain conditions precedent i.e., Sellers having obtained the relevant certificate under section 281 of the Income Tax Act in relation to the consummation of the sale of the Sale Shares as contemplated in the SPA. The Sale Shares were transferred to RTPL on June 18, 2021.

#### **Other Material Agreements**

Except as disclosed above, as on the date of this Red Herring Prospectus, our Company has not entered into any subsisting material agreements (other than in the ordinary course of business of our Company) and there are no other subsisting shareholders’ agreements with respect to our Company. None of the Shareholders or investors of our Company have any special rights in our Company. For details with respect to agreements in relation to the business and operations of our Company, see “Our Business” on page 163.

#### **Agreements with Key Managerial Personnel, Director, Promoters or any other employee**

There are no agreements entered into by our Key Managerial Personnel or Promoters or Directors or any other employee of our Company, either by themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Company.

#### **Holding companies**

As on the date of this Red Herring Prospectus, our Company does not have any holding company.

#### **Associate Companies**

As on the date of this Red Herring Prospectus, our Company does not have any associate companies.

#### **Joint Ventures**

As on the date of this Red Herring Prospectus, our Company does not have any joint ventures

#### **Subsidiaries**

As on the date of this Red Herring Prospectus, our Company has one wholly-owned subsidiary.

*(1) Raneal Advanced Systems Private Limited*

#### *Corporate Information*

Raneal Advanced Systems Private Limited was incorporated on February 3, 2022 as a private limited company under the Companies Act, 2013 pursuant to a certificate of incorporation issued by the Central Registration Centre, for and on behalf of the jurisdictional registrar of companies. Its corporate identification number is U31900KA2022PTC157486. It has its registered office at No. 64/1, 1st Floor, Sajjan Rao Circle, Kavi Lakshmisha Road, Bengaluru- 560 004, Karnataka, India.

#### *Nature Of Business*

Raneal Advanced Systems Private Limited is authorised to carry on in India or elsewhere the business to design,

develop, manufacture, build, testing, produce, process, convert, assemble, fabricate, alter, acquire, repair, maintenance, overhauling, service, modify, market, recondition, remodel, commercialize, display, import, export, buy, sell, resell, trading, supply, and to act as an agent, indenter, franchiser, distributor, consignor, stockist, job worker, consultant, contractor, engineer, collaborator, supplier or otherwise, to deal in all types of electronic, electrical, mechanical and electro-mechanical components, cluster, devices, systems, sub-systems, instruments, equipment, appliances, printed circuit boards (pcb's), printed circuit assemblies, parts, fittings, accessories, fasteners, cable assemblies, wire harnesses, wiring looms, custom and mil-spec connectors, wired enclosures and turn-key assemblies, used in all types of defence & aerospace, space, marine, industrial applications and all other allied field, under the objects clause of its memorandum of association.

#### Capital Structure

The authorised share capital of Raneal Advanced Systems Private Limited is ₹100,000,000 divided into 10,000,000 equity shares of ₹ 10 each. The issued, subscribed, and paid-up capital of Raneal Advanced Systems Private Limited is ₹ 6,000,000 divided into 600,000 equity shares of ₹ 10 each.

#### Shareholding Pattern

The shareholding pattern of Raneal Advanced Systems Private Limited is as follows:

| Name of the Shareholder | Number of shares of face value of Rs. 10 each | Percentage of total shareholding (%) |
|-------------------------|---|--------------------------------------|
| DCX Systems Limited     | 599,999                                       | 100                                  |
| Ramegowda Shiva Kumar*  | 1   | Negligible                           |

\*Holding shares on behalf of DCX Systems Limited

#### Accumulated profits or losses

There are no accumulated profits or losses of the Subsidiary which are not accounted for by our Company, as the Subsidiary has not yet commenced operations.

#### Guarantees given to third parties by a promoter offering its Equity Shares

Except as disclosed below, as of the date of this Red Herring Prospectus, our Promoter Selling Shareholder, VNG Technology Private Limited, has not provided any guarantees to third parties. For the details of the guarantees given by our Individual non-selling Promoter, Dr. H.S Raghavendra Rao, please see “Financial Indebtedness” on page 296.

| Sl. No | Guarantee given in favour of | Guarantee value (₹ in Million) | Reason for the Guarantee                                   | Obligation on our Company | Period of guarantee                                   | Financial implication in case of default           | Security available   | Consideration, if any |
|--------|------------------------------|--------------------------------|--|---------------------------|---|--|--|-----------------------|
| 1      | Axis Bank Limited            | 833.5                          | For the working capital facility sanctioned to our Company | NIL                       | Till all the loan obligation have been repaid in full | Personally liable to the extent of Guarantee value | Exclusive charge over project wise current assets of our Company, bank guarantee, export. Bills with title to the goods duly endorsed by the bank and personal guarantee of Dr. H.S. Raghavendra Rao | NIL                   |

| Sl. No | Guarantee given in favour of | Guarantee value (₹ in Million) | Reason for the Guarantee                                   | Obligation on our Company | Period of guarantee                                    | Financial implication in case of default           | Security available   | Consideration, if any |
|--------|------------------------------|--------------------------------|--|---------------------------|--|--|--|-----------------------|
| 2      | HDFC Bank Limited            | 4,560                          | For the working capital facility sanctioned to our Company | NIL                       | Till all the loan obligations have been repaid in full | Personally liable to the extent of guarantee value | Exclusive charge on the moveable fixed assets and current assets of our Company, and the Company's registered and corporate office; lien on fixed deposit equivalent to ₹ 650 million; personal guarantee of Dr. H.S. Raghavendra Rao and bank guarantee of  | NIL                   |
| 3      | State Bank of India          | 4,350                          | For the working capital facility sanctioned to our Company | NIL                       | Till all the loan obligations have been repaid in full | Personally liable to the extent of guarantee value | Exclusive charge on the current assets of our Company, equitable mortgage of our Company's registered and corporate office, hypothecation of plant and machinery on pari passu first charge basis and equitable mortgage of residential flat situated at Sambram Ppartment, Gokulam main road, V.V. Mohalla, Mysore- 570 007, Karnataka, corporate guarantee of Raneal Technologies Private Limited and personal guarantee of Dr. H.S. Raghavendra Rao | NIL                   |
| 4      | Bank of Baroda               | 2,750                          | For the working capital facility sanctioned to our Company | NIL                       | Till all the loan obligations have been repaid in full | Personally liable to the extent of guarantee value | Exclusive charge on the current assets of our Company, cash margin of ₹ 1125 million, lien on fixed deposit equivalent to ₹ 50 million and personal guarantee of Dr. H.S. Raghavendra Rao  | NIL                   |

| Sl. No | Guarantee given in favour of | Guarantee value (₹ in Million) | Reason for the Guarantee                                   | Obligation on our Company | Period of guarantee                                    | Financial implication in case of default           | Security available  | Consideration, if any |
|--------|------------------------------|--------------------------------|--|---------------------------|--|--|---|-----------------------|
| 5      | ICICI Bank Limited           | 2,000                          | For the working capital facility sanctioned to our Company | NIL                       | Till all the loan obligations have been repaid in full | Personally liable to the extent of guarantee value | Exclusive charge over current assets of our Company, lien on fixed deposit equivalent to ₹ 400 million and personal guarantee of Dr. H.S. Raghavendra Rao |                       |



## OUR MANAGEMENT

In terms of the Companies Act and our Articles of Association, our Company is required to have not less than three Directors and not more than 15 Directors. As on the date of this Red Herring Prospectus, our Board comprises of six Directors including two Executive Directors, one Non-Independent and Non-Executive Director and three Independent Directors, including one woman Director.

The following table sets forth details regarding our Board of Directors as of the date of this Red Herring Prospectus:

| S. No. | Name, date of birth, designation, address, occupation, current term, period of directorship and DIN  | Age (years) | Other directorships  |
|--------|--|-------------|--|
| 1.     | <p><b>Dr. H.S. Raghavendra Rao</b></p> <p><i>Designation:</i> Chairman and Managing Director</p> <p><i>Address:</i> Suvarna House No.10, Municipal No.60, 5<sup>th</sup> Main Road, 5<sup>th</sup> Block, Behind East R V Metro Station, Jayanagar, Jayanagar East, Bengaluru – 560 041, Karnataka.</p> <p><i>Date of birth:</i> April 7, 1969</p> <p><i>Occupation:</i> Business</p> <p><i>Current Term:</i> Five years with effect from June 27, 2021</p> <p><i>Period of Directorship:</i> Director since January 16, 2012*</p> <p><i>DIN:</i> 00379249</p> | 53          | <p><i>Indian Companies</i></p> <ul style="list-style-type: none"> <li>• Neuron Biomed Equipments Private Limited</li> <li>• VNG Technology Private Limited</li> </ul> <p><i>Foreign Companies</i></p> <p>Nil</p> |
| 2.     | <p><b>Neal Jeremy Castleman</b></p> <p><i>Designation:</i> Non-Independent and Non-executive Director</p> <p><i>Address:</i> 12831 S Figueroa ST Los Angeles, California- 90061</p> <p><i>Date of birth:</i> April 1, 1949</p> <p><i>Occupation:</i> Business</p> <p><i>Current Term:</i> Liable to retire by rotation</p> <p><i>Period of Directorship:</i> Director since March 14, 2012</p> <p><i>DIN:</i> 05159412</p>   | 73          | <p><i>Indian Companies</i></p> <p>Nil</p> <p><i>Foreign Companies</i></p> <ul style="list-style-type: none"> <li>• DCX Chol Enterprises Inc.</li> </ul>  |
| 3.     | <p><b>Sankar Krishnan Ramalingam</b></p> <p><i>Designation:</i> Whole-time Director</p> <p><i>Address:</i> 504, Niharika, Film City Road, Near Oberoi Mall, Goregaon (East), Mumbai- 400063, Maharashtra</p> <p><i>Date of birth:</i> June 15, 1961</p> <p><i>Occupation:</i> Service</p>  | 61          | <p><i>Indian Companies</i></p> <ul style="list-style-type: none"> <li>• Aster Capital Advisory Services Private Limited</li> </ul> <p><i>Foreign Companies</i></p> <p>Nil</p>                                    |

| S. No. | Name, date of birth, designation, address, occupation, current term, period of directorship and DIN  | Age (years) | Other directorships  |
|--------|--|-------------|--|
|        | <p><b>Current Term:</b> Up to Five years with effect from January 28, 2022, in which he is liable to retire by rotation</p> <p><b>Period of Directorship:</b> Director since January 28, 2022</p> <p><b>DIN:</b> 00078459</p>  |             |  |
| 4.     | <p><b>Kalyanasundaram Chandrasekaran</b></p> <p><b>Designation:</b> Independent Director</p> <p><b>Address:</b> Old number 25, new number 26, Vaidyaram Street, T Nagar, Thiyagaraya Nagar, Chennai-600017, Tamil Nadu</p> <p><b>Date of birth:</b> February 18, 1962</p> <p><b>Occupation:</b> Service</p> <p><b>Current Term:</b> Period of five years with effect from January 28, 2022, in which he is not liable to retire by rotation.</p> <p><b>Period of Directorship:</b> Director since January 28, 2022</p> <p><b>DIN:</b> 00936289</p>             | 60          | <p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Methodhub Technologies Private Limited</li> </ul> <p><b>Foreign Companies</b></p> <ul style="list-style-type: none"> <li>• Nemera International Company Limited (Thailand)</li> <li>• Nemera Technologies Company Limited (Thailand)</li> <li>• Sew-Tech Inc. (Dba- Method Hub) (United States of America)</li> <li>• Nemera Consulting Company Limited (Thailand)</li> <li>• Methodhub Inc (United States of America)</li> <li>• S&amp;R Professionals LLC (United States of America)</li> <li>• Methodhub (Canada)</li> <li>• Kaizen Capital Investments SPC (Cayman Islands)</li> </ul> |
| 5.     | <p><b>Panchangam Nagashayana</b></p> <p><b>Designation:</b> Independent Director</p> <p><b>Address:</b> Number 612, 2<sup>nd</sup> Cross, 2<sup>nd</sup> Main, NGEF Layout, Nrupathunga Nagar, Nagarbhavi, Bangalore-560072, Karnataka</p> <p><b>Date of birth:</b> May 20, 1968</p> <p><b>Occupation:</b> Business</p> <p><b>Current Term:</b> Period of five years with effect from January 28, 2022, in which he is not liable to retire by rotation.</p> <p><b>Period of Directorship:</b> Director since January 28, 2022</p> <p><b>DIN:</b> 00907296</p> | 54          | <p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Avyaya Technologies Private Limited</li> </ul> <p><b>Foreign Companies</b></p> <p>Nil</p>  |
| 6.     | <p><b>Lathika Siddharth Pai</b></p> <p><b>Designation:</b> Independent Director</p> <p><b>Address:</b> 43-44, Cunningham Road Cross, Vasanth Nagar, Bangalore North, Bangalore-560001, Karnataka</p> <p><b>Date of Birth:</b> November 09, 1966</p>  | 55          | <p><b>Indian Companies</b></p> <ul style="list-style-type: none"> <li>• Jobcorp Solutions Private Limited</li> <li>• Jobskills Solutions Private Limited</li> </ul> <p><b>Foreign Companies</b></p> <p>Nil</p>   |

| S. No. | Name, date of birth, designation, address, occupation, current term, period of directorship and DIN   | Age (years) | Other directorships |
|--------|---|-------------|---------------------|
|        | <p><b>Occupation:</b> Entrepreneur</p> <p><b>Current Term:</b> Period of five years with effect from February 2, 2022, in which she is not liable to retire by rotation.</p> <p><b>Period of Directorship:</b> Director since February 2, 2022</p> <p><b>DIN:</b>00420102</p> |             |                     |

*\* Resigned as the Managing Director of our Company on November 4, 2020 and was subsequently appointed again as the Additional Director of our Company on March 3, 2021 and the Managing Director on June 27, 2021,*

*^Appointed as the Chairman and Managing Director of our Company with effect from February 2, 2022.*

### Relationship between our Directors and/or Directors and Key managerial Personnel

None of our Directors are related to each other or to any of the Key Managerial Personnel.

### Brief Biographies of Directors

**Dr. H.S. Raghavendra Rao** is the Chairman and Managing Director of our Company. He has been the Director of our Company since January 16, 2012. His key role in the Company, amongst other things, is to deliver the business plan and conduct the business of our Company, ensure client relationship management and coordinate the administrative duties of our Company. He has been conferred with an honorary doctorate in business management by the International Peace University, Germany. He has about 21 years of experience in the electronics manufacturing sector and aerospace sector. He was previously associated as a whole-time director with Vinyas Innovative Technologies Private Limited. He is also the recipient of awards such as the Young Entrepreneur of the Year award presented at the 10<sup>th</sup> International Achievers Summit, the Excellence award for Industrial Development presented by the Indian Economic Development and Research Association, Business Leadership Award from the International Peace University, Germany, Indo-Nepal Ratan Award by the Economic Growth Society of India, the Mahatma Gandhi Samman Award by NRI Welfare Society of India, a certificate of excellence in recognition of his exceptional work and being a pioneer in the field of Cable Assemblies and Healthcare Products by ET Pioneers, Times Group in 2021 and the Business Leadership Award at the International Achievers Awards held in Dubai in 2021 for excellence in defence electronics exports.

**Neal Jeremy Castleman** is the Non-Independent and Non-executive Director of our Company. He has been the Director of our Company since March 14, 2012. He holds a bachelor of science degree in chemistry from the University of Southern California. He has over two decades of experience in the electronics manufacturing sector. He has been working with DCX-CHOL Enterprises, Inc as a director (president) since 1997.

**Sankarakrishnan Ramalingam** is the Whole-time Director of our Company. He has been the Director of our Company since January 28, 2022. His key role is to deliver the business plan of our Company and manage its day-to-day affairs in accordance with the directions given by our Board. He is an associate of the Indian Institute of Bankers and holds a bachelor of science degree from the University of Bombay as well as a diploma in industrial chemistry from the British Institutes, Bombay. He has about 26 years of experience in the finance sector. He was previously associated with Hindustan Lever Limited and Syndicate Bank. He has also been the whole-time director of Saffron Capital Advisors Private Limited and Impetus Arthasutra Private Limited.

**Kalyanasundaram Chandrasekaran** is the Independent Director of our Company. He has been the Director of our Company since January 28, 2022. He is an associate of the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India. He was previously associated with BDA Limited, Beacon Weir Limited, Ceeta Springs & Steels Limited, Associated Construction and Investment Company, LLC, Dubai Lifestyle City and Tracstar Investments Limited.

**Panchangam Nagashayana** is the Independent Director of our Company. He has been the Director of our Company since January 28, 2022. He holds a bachelor of engineering (electronics) degree from Gulbarga University. He has more than 30 years of experience in the electronics sector. He was previously associated with Canarie International, Canarie Electornics Inc., Plugmetrix Technologies LLP and Cyberstar Infocom Private

Limited. He is currently a whole-time director of Avyaya Technologies Private Limited.

**Lathika Siddharth Pai**, is the Independent Director of our Company. She has been the Director of our Company since February 2, 2022. She holds a bachelor of engineering (electronics) degree from Bangalore University as well as master's degree in science from the Rochester Institute of Technology. She has 15 years of experience in management consultancy and has been working with Tekinroads Consulting LLP since 2014 as a partner.

**Details regarding directorships of our Directors in listed companies**

None of our Directors is or was a director of any company listed on any stock exchange, whose shares have been or were suspended from being traded on any of the stock exchanges during the five years preceding the date of this Red Herring Prospectus, during the term of his/her directorship in such company.

None of our Directors is, or was a director of any listed company, which has been or was delisted from any stock exchange, during the term of his/her directorship in such company.

**Confirmations**

None of our Directors are interested as a member in any firm or company which has any interest in our Company.

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms, trusts or companies in which they are interested as a member by any person either to induce them to become, or to help them qualify as a Director, or otherwise for services rendered by them or by the firm, trust or company in which they are interested, in connection with the promotion or formation of our Company.

Further, none of our Directors have been identified as Wilful Defaulters or Fraudulent Borrower as defined under the SEBI ICDR Regulations.

None of our Directors has been declared a fugitive economic offender in accordance with the Fugitive Economic Offenders Act, 2018.

**Terms of appointment of Executive Directors**

**Dr. H.S. Raghavendra Rao**

Dr. H.S. Raghavendra Rao has been appointed\* as an Additional Director on March 3, 2021 and designated as Managing Director for a period of five years with effect from June 27, 2021. He has also been appointed as the Chairman of the Board pursuant to a resolution of the board dated February 11, 2022. The terms and conditions of his appointment, pursuant to an employment agreement dated January 1, 2022 (ratified vide resolution passed by our Shareholders' on March 21, 2022) are as follows:

| Particulars            | Remuneration   |
|------------------------|--|
| Gross Remuneration     | ₹ 24.00 million per annum, including basic pay, house rent allowance, leave travel allowance, conveyance allowance, special allowance and the provident fund employer share.   |
| Benefits               | In addition to the remuneration, the following benefits shall be provided to Dr. H.S. Raghavendra Rao, which shall not form a condition of his employment: <ol style="list-style-type: none"> <li>1. Participation in our Company's employee benefit plans of general application., including without limitation, those plans covering medical disability and life insurance; and</li> <li>2. Eligibility for vacation and sick leave and such other benefits as our Company generally provides to its employees of comparable position and experience.</li> </ol> |
| Notice for termination | The appointment may be terminated by our Company by giving 30 days prior notice in writing while it may be   |

|  |   |
|--|---|
|  | terminated by Dr. H.S. Raghavendra Rao by giving 90 days prior notice in writing. |
|--|---|

\* Dr. H.S Raghavendra Rao resigned as the Managing Director of our Company on November 4, 2020, and was subsequently appointed again as the Additional Director of our Company on March 3, 2021

The total remuneration paid to Dr. H.S. Raghavendra Rao for all services in all capacities to our Company, including contingent or deferred compensation accrued for the Financial Year 2022 is ₹ 28.20 million.

### **Sankarakrishnan Ramalingam**

Sankarakrishnan Ramalingam has been appointed as the Whole-time Director for a period of five years with effect from January 28, 2022, in which he is liable to retire by rotation, pursuant to a resolution of our Board and Shareholders' dated January 14, 2022. The terms and conditions of his appointment, pursuant to an employment agreement dated January 29, 2022 (ratified vide resolution passed by our Shareholders' on March 21, 2022) are as follows:

| <b>Particulars</b>     | <b>Remuneration</b>  |
|------------------------|--|
| Gross Remuneration     | ₹ 3.36 million per annum, including basic pay, house rent allowance, leave travel allowance, conveyance allowance, special allowance and the provident fund employer share   |
| Benefits               | In addition to the remuneration, the following benefits shall be provided to the Sankarakrishnan Ramalingam, which shall not form a condition of employment: <ol style="list-style-type: none"> <li>1. Participation in our Company's employee benefit plans of general application., including without limitation, those plans covering medical disability and life insurance; and</li> <li>2. Eligibility for vacation and sick leave and such other benefits as our Company generally provides to its employees of comparable position and experience.</li> </ol> |
| Notice for termination | The appointment may be terminated by the Company by giving 30 days notice in writing while it may be terminated by Sankarakrishnan Ramalingam by giving 90 days notice in writing  |

The total remuneration paid to Sankarakrishnan Ramalingam for all services in all capacities to our Company, including contingent or deferred compensation accrued for the Financial Year 2022 is ₹ 1.78 million\*.

\*Before coming on to our Board as a Whole-time Director, he was working as a professional consultant for our Company for which he was paid a professional fees of ₹ 1.25 million during the Financial Year 2022.

### ***Sitting fee details for our Non-executive and Independent Directors***

Our Board, pursuant to resolutions dated February 2, 2022, has approved the payment of sitting fees of ₹ 0.1 million, per quarter per independent director irrespective of the number of meetings held in each quarter, to our Independent Directors for attending meetings of our Board and committees, respectively. Our Independent Directors do not receive any other remuneration.

The sitting fees paid to each of our Independent Directors in Fiscal 2022 is ₹ 0.1 million.

No commission or sitting fee is payable to our Non-Executive Director, Neal Castleman.

### **Payments or benefits to Directors**

In Fiscal 2022, our Company has not paid any compensation or granted any benefit on an individual basis to any

of our Directors (including contingent or deferred compensation) other than the remuneration paid to them for such period.

#### **Arrangement or understanding with major shareholders, customers, suppliers or others**

None of our Directors have any arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any of our Directors were appointed on our Board or as a member of the senior management.

#### **Shareholding of Directors in our Company**

As per our Articles of Association, our Directors are not required to hold any qualification shares.

For details of Equity Shares held by the Directors as on date of this Red Herring Prospectus, see “*Capital Structure – Shareholding of our Directors and Key Managerial Personnel in our Company*” on page 94.

#### **Interest of Directors**

Our Independent Directors may be deemed to be interested to the extent of the sitting fees payable to them for attending meetings of our Board and committees thereof, and reimbursement of expenses available to them. Our Executive Directors may be deemed to be interested to the extent of remuneration and reimbursement of expenses payable to them as stated in “– *Payments or benefits to Directors*” on page 209.

Our Directors may also be regarded as interested in the Equity Shares held by them or by their relatives, if any or to the extent of benefits arising out of such shareholding and to the extent of the transactions entered into in the ordinary course of business with the companies in which our Directors hold directorship, or to the extent the Equity Shares that may be subscribed by or allotted to them or the companies, firms and trusts, in which they are interested as directors, members, partners, trustees or promoters, as applicable, pursuant to this Offer. Our Directors may also be deemed to be interested to the extent of dividend payable to them and other distributions in respect of such Equity Shares. Further, our Directors’ may be deemed to be interested to the extent they hold shares in our Corporate Promoters, NCBG Holdings Inc. and VNG Technology Private Limited, and to the extent of benefit arising out of such shareholding. For details, see “*Promoter and Promoter Group*” and “*History and Certain Other Matters*” on pages 223 and 198, respectively.

Dr. H.S. Raghavendra Rao, who has given personal guarantees and has mortgaged his property for the working capital facilities sanctioned to our Company and may be considered to be interested, to the extent of security created and guarantees provided.

No loans have been availed by our Directors from our Company.

None of our Directors are interested in the contracts, transactions, agreements or arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective capacity.

Except to the sitting fees payable, as applicable, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors except the normal remuneration for services rendered as Directors.

#### *Interest in property*

None of our Directors have any interest in any property acquired or proposed to be acquired by our Company or transaction for acquisition of land, construction of building and supply of machinery, etc.

#### *Interest in the promotion and formation of our Company*

Other than Dr. H.S. Raghavendra Rao, who is interested in the promotion of our Company as disclosed in “*Promoters and Promoter Group*” on page 223, none of our Directors have any interest in the promotion of our Company other than in the ordinary course of business.

#### *Business interest*

Except as stated in “*Summary of the Offer Document– Summary of Related Party Transactions*” on page 22, and to the extent set out above under “– *Interest of Directors*” on page 210 our Directors do not have any other interest in our business.

*Contingent and deferred compensation payable to the Directors*

There is no contingent or deferred compensation accrued for Financial Year 2022 and payable to our Directors, which does not form a part of their remuneration.

*Bonus or profit-sharing plan for the Directors*

None of the Directors is party to any bonus or profit-sharing plan of our Company.

*Service contracts with Directors*

In accordance with the employment agreement dated January 1, 2022 and employment agreement dated January 29, 2022 (collectively referred to as “**Agreements**”) entered into by Dr H.S. Raghavendra Rao and Sankarakrishnan Ramalingam with the Company, respectively, they cannot directly or indirectly carry on, assist, engage in, be concerned or participate in any business/ activity (whether directly or indirectly, as a partner, shareholder, principal, agent, director, affiliate, employee, consultant or in any capacity or manner whatsoever) which is similar to the business for a period of six months after the expiry or earlier termination of the agreement from the Company (“**Non-Compete Obligation**” as defined in the Agreements). In the event our Company imposes this Non-Compete Obligation on Dr. H.S. Raghavendra Rao and Sankarakrishnan Ramalingam, they would be entitled to an amount equivalent to six months’ remuneration in monthly arrears, based on the fixed remuneration received by them in the last six months immediately preceding the expiry or earlier termination of the Agreements.

Except as disclosed below, our Company has not entered into any service contracts with any Director, which provide for benefits upon termination of employment.

For details, see “– *Terms of appointment of Executive Directors*” on page 208.

**Changes in the Board in the last three years**

| <b>Name</b>                    | <b>Date of Appointment/Change/ Cessation</b> | <b>Reason</b>   |
|--------------------------------|--|---|
| Narendra Narayanan             | August 31, 2020                              | Appointment as the Additional Director**                |
| Vijaybhai Somabhai Patel       | August 31, 2020                              | Appointment as the Additional Director**                |
| Sankarakrishnan Ramalingam     | November 4, 2020                             | Appointment as the Additional Director***               |
| Ravikumar Eranna               | November 4, 2020                             | Cessation as the Director                               |
| Premkumar Ramachand Kaviath    | November 4, 2020                             | Cessation as the Director                               |
| Dr. H.S. Raghavendra Rao       | November 4, 2020                             | Cessation as the Managing Director                      |
| Sankarakrishnan Ramalingam     | February 24, 2021                            | Cessation as the Nominee Director                       |
| Vijaybhai Somabhai Patel       | March 3, 2021                                | Cessation as the Nominee Director                       |
| Narendra Narayanan             | March 3, 2021                                | Cessation as the Nominee Director                       |
| Dilip Poonam Shah              | March 3, 2021                                | Cessation as the Director                               |
| Dr. H.S. Raghavendra Rao       | March 3, 2021                                | Appointment as the Additional Director****              |
| Anand S.                       | June 27, 2021                                | Appointment as the Additional Director****              |
| Dr. H.S. Raghavendra Rao       | June 27, 2021                                | Change in Designation to the Managing Director****      |
| Sankarakrishnan Ramalingam     | January 28, 2022                             | Appointment as the Whole Time Director                  |
| Kalyanasundaram Chandrasekaran | January 28, 2022                             | Appointment as the Independent Director                 |
| Panchangam Nagashayana         | January 28, 2022                             | Appointment as the Independent Director                 |
| Anand S.                       | January 28, 2022                             | Cessation as the Director                               |
| Lathika Siddharth. Pai         | February 2, 2022                             | Appointment as the Independent Director                 |
| Dr. H.S. Raghavendra Rao       | February 11, 2022                            | Change in Designation to Chairman and Managing Director |

\*Regularised pursuant to a resolution passed by our Shareholders on September 30, 2019.

\*\*Regularised pursuant to a resolution passed by our Shareholders on December 29, 2020.

\*\*\*Regularised pursuant to a resolution passed by our Shareholders on November 4, 2020.

\*\*\*\*Regularised pursuant to a resolution passed by our Shareholders on July 20, 2021.

## **Borrowing Powers of Board**

Pursuant to our Articles of Association, the applicable provisions of the Companies Act, 2013, and a resolution passed by our Shareholders at their EGM held on March 21, 2022, our Board has been authorized to borrow any sum or sums of monies or financial indebtedness, notwithstanding that the moneys to be borrowed by our Company together with monies already borrowed or financial indebtedness already availed (apart for any specific purpose(s)), will or may exceed our Company's aggregate paid-up share capital and/or free reserves (except for reserves set apart for specific purpose(s)), provided that the total amount of money so borrowed by the Board shall not at any time together with interest payable exceed a sum of ₹ 25,000 million.

## **Corporate Governance**

The provisions relating to corporate governance prescribed under the Listing Regulations will be applicable to us immediately upon listing of the Equity Shares on the Stock Exchanges. Our Company is in compliance with the requirements of the applicable regulations in respect of corporate governance in accordance with the Listing Regulations, and the Companies Act, 2013, pertaining to the constitution of the Board and committees thereof.

Our Board has been constituted in compliance with the Companies Act and the Listing Regulations. The Board of Directors function either as a full board, or through various committees constituted to oversee specific operational areas.

As on the date of this Red Herring Prospectus, our Board comprises of 6 (six) Directors including two Executive Directors, one Non – Independent and Non–Executive Director and three Independent Directors, including one woman Director. In compliance with Section 152 of the Companies Act, not less than two thirds of the Directors (excluding Independent Directors) are liable to retire by rotation. Our Company undertakes to take all necessary steps to continue to comply with all the requirements of Listing Regulations and the Companies Act.

## **Committees of the Board**

Our Board may constitute committees to delegate certain powers as permitted under the Companies Act, 2013.

In terms of the Listing Regulations and the provisions of the Companies Act, 2013, our Company has constituted the following Board level committees:

### ***Audit Committee***

The members of the Audit Committee are:

1. Kalyanasundaram Chandrasekaran (Chairman)
2. Panchangam Nagashayana (Member)
3. Sankarakrishnan Ramalingam (Member)

The Audit Committee was constituted by a meeting of the Board of Directors held on February 2, 2022. The scope and functions of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013, Regulation 18 of the SEBI Listing Regulations and its terms of reference include the following:

- (a) oversight of financial reporting process and the disclosure of financial information relating to the Company to ensure that the financial statements are correct, sufficient and credible;
- (b) recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- (c) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (d) formulation of a policy on related party transactions, which shall include materiality of related party transactions;
- (e) reviewing, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given;
- (f) examining and reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:



- a) Matters required to be included in the director's responsibility statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
  - b) Changes, if any, in accounting policies and practices and reasons for the same
  - c) Major accounting entries involving estimates based on the exercise of judgment by management
  - d) Significant adjustments made in the financial statements arising out of audit findings
  - e) Compliance with listing and other legal requirements relating to financial statements
  - f) Disclosure of any related party transactions; and
  - g) Modified opinion(s) in the draft audit report.
- (g) reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
  - (h) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the Offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
  - (i) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
  - (j) approval of any subsequent modification of transactions of the Company with related parties and omnibus approval for related party transactions proposed to be entered into by the Company, subject to the conditions as may be prescribed
- Explanation:** The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.*
- (k) scrutiny of inter-corporate loans and investments;
  - (l) valuation of undertakings or assets of the Company, wherever it is necessary;
  - (m) evaluation of internal financial controls and risk management systems;
  - (n) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
  - (o) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
  - (p) discussion with internal auditors of any significant findings and follow up thereon;
  - (q) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
  - (r) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  - (s) recommending to the board of directors the appointment and removal of the external auditor, fixation of audit fees and approval for payment for any other services;

- (t) looking into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (u) reviewing the functioning of the whistle blower mechanism;
- (v) monitoring the end use of funds raised through public offers and related matters;
- (w) overseeing the vigil mechanism established by the Company, with the chairman of the Audit Committee directly hearing grievances of victimization of employees and directors, who used vigil mechanism to report genuine concerns in appropriate and exceptional cases;
- (x) approval of appointment of chief financial officer (i.e., the whole-time finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- (y) reviewing the utilization of loans and/or advances from / investment by the holding company in the subsidiary exceeding ₹ 1,000,000,000 or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing;
- (z) carrying out any other function as is mentioned in the terms of reference of the Audit Committee;
- (aa) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders; and
- (bb) carrying out any other functions required to be carried out by the Audit Committee as contained in the SEBI Listing Regulations or any other applicable law, as and when amended from time to time.

The powers of the Audit Committee shall include the following:

- (a) to investigate any activity within its terms of reference
- (b) to seek information from any employee
- (c) to obtain outside legal or other professional advice; and
- (d) to secure attendance of outsiders with relevant expertise, if it considers necessary; and
- (e) such other powers as may be prescribed under the Companies Act and SEBI Listing Regulations.

The Audit Committee shall mandatorily review the following information:

- (a) Management discussion and analysis of financial condition and results of operations;
- (b) Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- (c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
- (d) Internal audit reports relating to internal control weaknesses;
- (e) The appointment, removal and terms of remuneration of the chief internal auditor;
- (f) Statement of deviations in terms of the SEBI Listing Regulations:
  - a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) where the Equity Shares are proposed to be listed in terms of the SEBI Listing Regulations; and
  - b. annual statement of funds utilised for purposes other than those stated in the offer

document/prospectus/notice in terms of the SEBI Listing Regulations.

- (g) review the financial statements, in particular, the investments made by any unlisted subsidiary.

The Audit Committee is required to meet at least four times in a year with maximum interval of 120 days between two consecutive meetings.

### ***Nomination and Remuneration Committee***

The members of the Nomination and Remuneration Committee are:

1. Panchangam Nagashayana, Chairman
2. Kalyanasundaram Chandrasekaran, Member
3. Lathika Siddharth Pai, Member

The Nomination and Remuneration Committee was constituted by a meeting of the Board of Directors held on February 2, 2022. The scope and functions of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013 and regulation 19 of the SEBI Listing Regulations. The terms of reference of the Nomination and Remuneration Committee include the following:

- (a) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors of the Company a policy relating to the remuneration of the directors, key managerial personnel and other employees (“**Remuneration Policy**”).

The Nomination and Remuneration Committee, while formulating the above policy, should ensure that:

- (i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Company successfully;
  - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the working of the Company and its goals.
- (b) Formulation of criteria for evaluation of independent directors and the Board;
  - (c) Devising a policy on Board diversity;
  - (d) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
  - (e) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
  - (f) Recommend to the board, all remuneration, in whatever form, payable to senior management;
  - (g) Carrying out any other functions required to be carried out by the Nomination and Remuneration Committee as contained in the SEBI Listing Regulations or any other applicable law, as and when amended from time to time.
  - (h) Analysing, monitoring and reviewing various human resource and compensation matters;
  - (i) Deciding whether to extend or continue the term of appointment of the independent director, on the basis of

the report of performance evaluation of independent directors;

- (j) Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- (k) Recommending to the board, all remuneration, in whatever form, payable to senior management and other staff, as deemed necessary;
- (l) Administering, monitoring and formulating detailed terms and conditions of the employee stock option scheme, if any, of the Company;
- (m) Reviewing and approving the Company's compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;
- (n) Performing such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, if applicable;
- (o) Framing suitable policies, procedures and systems to ensure that there is no violation of securities laws, as amended from time to time, including:
  - (a) the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
  - (b) the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, by the trust, the Company and its employees, as applicable; and
- (p) Performing such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013 to the extent notified and effective, as amended or by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended or by any other applicable law or regulatory authority.
- (q) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the roles and capabilities required of an independent director. The person recommended to the Board for the appointment of the independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - 1. Use the services of an external agency, if required
  - 2. Consider candidates from a wide range of background, having due regard to diversity; and
  - 3. Consider the time commitments of the candidates

#### ***Stakeholders' Relationship Committee***

The members of the Stakeholders' Relationship Committee are:

- 1. Kalyanasundaram Chandrasekaran, Chairman
- 2. Sankarakrishnan Ramalingam, Member
- 3. Panchangam Nagashayana, Member

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on February 2, 2022. The scope and functions of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI Listing Regulations. The terms of reference of the Stakeholders' Relationship Committee include the following:

- (a) Resolving the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings *etc*;
- (b) Review of measures taken for effective exercise of voting rights by shareholders;

- (c) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar and Share Transfer Agent;
- (d) Considering and specifically looking into various aspects of interest of shareholders, debenture holders and other security holders;
- (e) Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
- (f) Giving effect to all transfer/transmission of shares and debentures, dematerialisation of shares and re-materialisation of shares, split and issue of duplicate/consolidated share certificates, compliance with all the requirements related to shares, debentures and other securities from time to time; and
- (g) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

#### ***Corporate Social Responsibility Committee***

The members of the Corporate Social Responsibility Committee are:

1. Lathika Siddharth Pai, Chairman
2. Panchangam Nagashayana, Member
3. Dr. H.S. Raghavendra Rao, Member

The Corporate Social Responsibility Committee was last reconstituted by the Board at their meeting held on February 2, 2022. The terms of reference of the Corporate Social Responsibility Committee of our Company are as per Section 135 of the Companies Act, 2013 and the applicable rules thereunder, including:

- (a) formulate and recommend to the Board, a “Corporate Social Responsibility Policy” which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- (b) review and recommend the amount of expenditure to be incurred on the activities referred to in clause (1);
- (c) monitor the corporate social responsibility policy of the Company and its implementation from time to time; and

any other matter as the Corporate Social Responsibility Committee may deem appropriate after approval of the Board or as may be directed by the Board from time to time.

#### ***Risk Management Committee***

The members of the Risk Management Committee are:

1. Dr. H.S. Raghavendra Rao, Chairman
2. Sankarakrishnan Ramalingam, Member
3. Kalyanasundaram Chandrasekaran, Member

The Risk Management Committee was constituted by the Board at their meeting held on February 2, 2022. The scope and functions of the Risk Management Committee is in accordance with regulation 21 of the SEBI Listing Regulations. The terms of reference of the Risk Management Committee include the following:

- (a) To formulate a detailed risk management policy which shall include:
  1. A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, environmental social and governance related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  2. Measures for risk mitigation including systems and processes for internal control of identified risks.
  3. Business continuity plan.

- (b) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
  - (c) To co-ordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per framework laid down by the board of directors;
  - (d) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
  - (e) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
  - (f) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee

The Risk Management Committee is required to meet at least two times in a year with maximum interval of 180 days between two consecutive meetings.

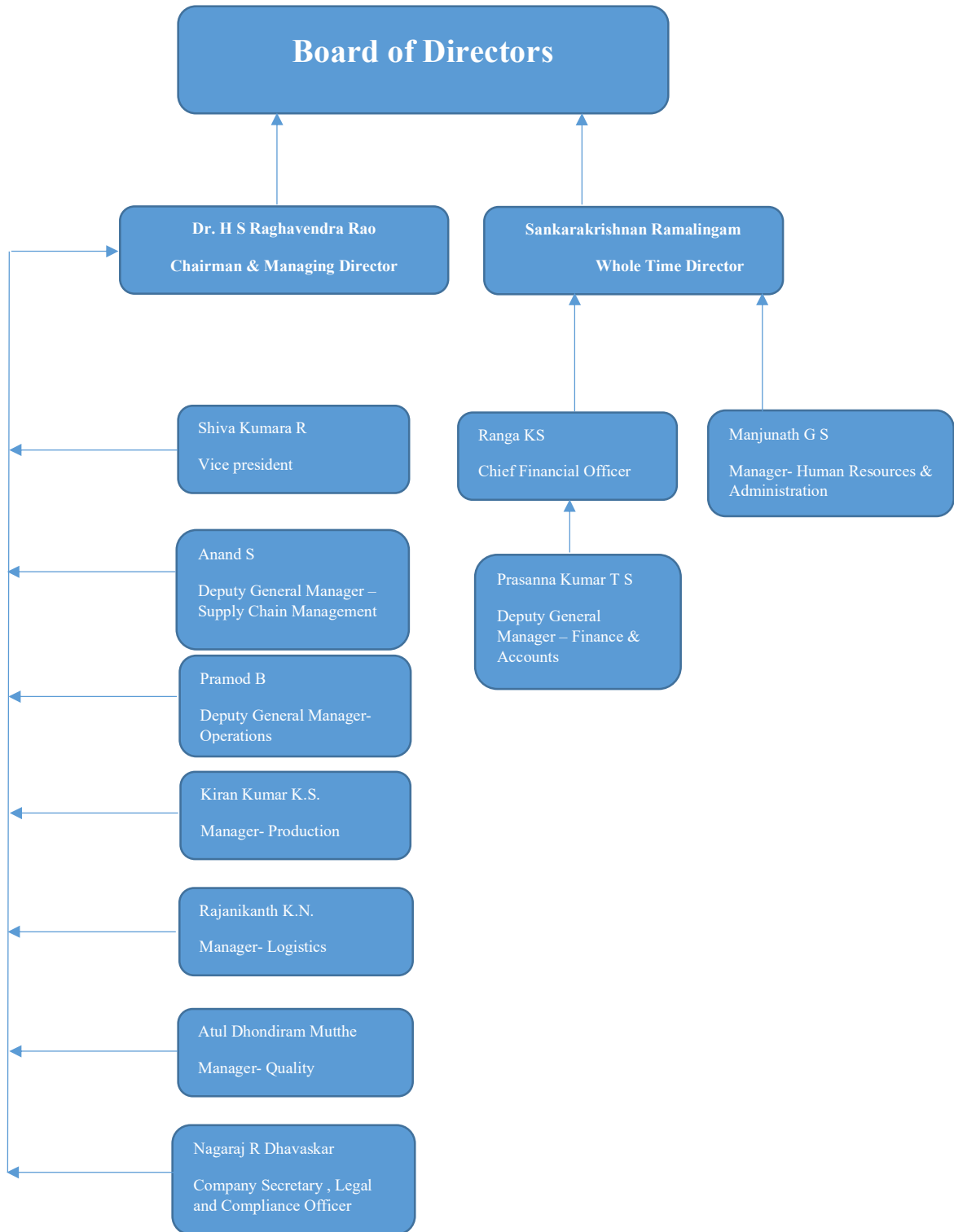
### ***IPO Committee***

The members of the IPO Committee are:

1. Sankar Krishnan Ramlingam, Chairman
2. Panchangam Nagashayana, Member
3. Kalyanasundaram Chandrasekaran, Member

The IPO Committee was constituted by our Board of Directors on February 2, 2022. The IPO Committee has been authorized, *inter-alia*, to approve and decide upon all activities in connection with the Offer, including, but not limited to, approving the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus, to decide the terms and conditions of the Offer, to appoint various intermediaries, negotiating and executing Offer related agreements and to submit applications and documents to relevant statutory and other authorities from time to time.

## Management Organisation Chart



## Key Managerial Personnel

The details of the Key Managerial Personnel, in addition to Dr. H.S. Raghavendra Rao and Sankarakrishnan Ramalingam are set out below:

**Ranga KS** is the Chief Financial Officer of our Company. He joined our Company on December 22, 2021. He is a qualified chartered accountant. He holds a bachelor's degree in science from Bangalore University. He was previously associated with Micro Plastics Private Limited and Alpha Design Technologies Private Limited. For Fiscal 2022, he was paid a gross remuneration of ₹ 1.26 million.

**Shiva Kumara R** is the Vice President of our Company. He joined our Company on October 1, 2021. He holds a bachelor's degree in engineering (electronics and communication) from Visveswaraiah Technological University, Belgaum. He has more than 14 years of experience in supply chain management. He was previously associated with Vinyas Innovative Technologies Private Limited. For Fiscal 2022, he was paid a gross remuneration of ₹ 1.88 million.

**Nagaraj R Dhavaskar** is the Company Secretary, Legal and Compliance Officer of our Company. He joined our Company on December 1, 2021. An associate of the Institute of Company Secretaries of India, he holds a master's degree in commerce and bachelor's degree in business management from Mangalore University. He also holds a bachelor's degree in law from Sagar Gangotri College of Law, Karnataka State Law University and has been enrolled as an advocate with the Karnataka State Bar Council. He has more than 5 years of experience in legal compliance and corporate sectorial services. He was previously associated with B. Rudra Gouda, Intertrustviteos Corporate and Fund Services Private Limited, Infinite Techworld Limited, Infinite Tech Ventures Limited, Infinite Computer Solutions (India) Limited and BPL Limited. For Fiscal 2022, he was paid a gross remuneration of ₹ 0.35 million.

**Pramod B** is the Deputy General Manager- Operations of our Company. He joined our Company on October 1, 2021. He holds a bachelor's degree in engineering (computer science and engineering) from Visveswaraiah Technological University, Belgaum. He has more than 14 years of experience in supply chain management. He was previously associated with Vinyas Innovative Technologies Private Limited. For Fiscal 2022, he was paid a gross remuneration of ₹ 1.30 million.

**Anand S** is the Deputy General Manager- Supply Chain Management of our Company. He joined our Company on August 2, 2021. He holds a diploma in electronics and communications engineering from J.S.S. Polytechnic, J.S.S. Mahavidyapeetha. He has about 14 years of experience in supply chain management. He was previously associated with Vinyas Innovative Technologies Private Limited. For Fiscal 2022, he was paid a gross remuneration of ₹ 1.73 million.

**Kiran Kumar K.S.** is the Manager-Production of our Company. He joined our Company on October 3, 2018. He holds a bachelor's degree in engineering (electronics and communications) from Visvesvaraya Technological University, Belgaum. He has about 8 years of experience in the field of engineering. He was previously associated with Bharat Electronics Limited, Rangsons Defence Solutions Private Limited and Aeronautical Development Agency. For Fiscal 2022, he was paid a gross remuneration of ₹ 1.40 million.

**Atul Dhondiram Mutthe** is the Manager- Quality of our Company. He joined our Company on December 8, 2021. He holds a bachelor's degree in engineering (electronics) from the Swami Ramanand Teerth Marathwada University, Nanded. He has over nine years of experience in process quality administration and the field of engineering. He was previously associated with Quad Electronic Solutions Private Limited, Centum Electronics Limited and Amphenol Interconnect India Private Limited. For Fiscal 2022, he was paid a gross remuneration of ₹ 0.43 million.

**Manjunath G S** is the Manager- Human Resources and Administration of our Company. He joined our Company on February 1, 2012. He holds a bachelor's degree in commerce from SS International University. He has more than 18 years of experience in human resources and administration. He was previously associated with Le Meridien, Bangalore. For Fiscal 2022, he was paid a gross remuneration of ₹ 1.38 million.

**Prasanna Kumar T S** is the Deputy General Manager- Finance and Accounts of our Company. He joined our Company on April 23, 2012. He is an associate member of the Institute of Chartered Accountants of India and holds a bachelor's degree of commerce from Kuvempu University. He has about ten years of experience in finance and accounts. For Fiscal 2022, he was paid a gross remuneration of ₹ 2.70 million.

**Rajanikanth K.N.** is the Manager-Logistics of our Company. He joined our Company on April 23, 2012. He



holds a master's degree in economics from Bangalore University He has more than 13 years of experience in logistics. He was previously associated with Cargomen Logistics (India) Private Limited and Sudarshan Cargo Private Limited. For Fiscal 2022, he was paid a gross remuneration of ₹ 1.30 million.

All the Key Managerial Personnel are permanent employees of our Company.

#### **Relationship between our Key Managerial Personnel**

None of our Key Managerial Personnel are related to each other.

#### **Shareholding of Key Managerial Personnel**

For details of Equity Shares held by our Key Management Personnel as of the date of this Red Herring Prospectus, see "*Capital Structure – Shareholding of our Directors and Key Managerial Personnel in our Company*" on page 94.

#### **Service Contracts with Key Managerial Personnel**

Except as disclosed in "*-Service contracts with Directors*" on page 211, no officer of our Company, including our Directors and the Key Managerial Personnel has entered into a service contract with our Company pursuant to which they are entitled to any benefits upon termination of employment, other than statutory benefits upon termination of their employment in our Company on retirement.

#### **Payment or Benefit to our Key Managerial Personnel**

Except as disclosed in "*-Service contracts with Directors*" on page 211, none of our Key Managerial Personnel are entitled to receive any benefits on their retirement or on termination of their employment with our Company except applicable statutory benefits.

#### **Bonus or profit-sharing plan of the Key Managerial Personnel**

None of our Key Managerial Personnel is party to any bonus or profit-sharing plan of our Company, other than the performance linked incentives given to Key Managerial Personnel.

#### **Interests of Key Managerial Personnel**

Our Key Managerial Personnel (other than our Directors and Promoter) do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and statutory benefits such as gratuity, provident fund and pension entitled to our Key Managerial Personnel. None of the Key Management Personnel have been paid any consideration of any nature from our Company other than their remuneration.

They may also be regarded as interested in the Equity Shares held by them or by their relatives, if any or to the extent of benefits arising out of such shareholding and to the extent of the transactions entered into in the ordinary course of business with the companies in which they hold directorship, or to the extent the Equity Shares that may be subscribed by or allotted to them or the companies, firms and trusts, in which they are interested as directors, members, partners, trustees or promoters, as applicable, pursuant to this Offer. Our Key Managerial Personnel may also be deemed to be interested to the extent of dividend payable to them and other distributions in respect of such Equity Shares

#### **Arrangement or understanding with major shareholders, customers, suppliers or others**

As on the date of this Red Herring Prospectus, there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Management Personnel was selected as a Key Managerial Personnel or member of senior management.

#### **Contingent and deferred compensation payable to Key Managerial Personnel**

As on the date of this Red Herring Prospectus, there is no contingent or deferred compensation payable to Key Managerial Personnel, which does not form a part of their remuneration.

### Payment or Benefit to officers of our Key Managerial Personnel (non-salary related)

Except as disclosed below, no non-salary amount or benefit has been paid or given to any of our Company's officers including Key Managerial Personnel within the two preceding years or is intended to be paid or given as on the date of this Red Herring Prospectus.

Before coming on to our Board as a Whole-time Director, Sankarakrishnan Ramalingam was working as a professional consultant for our Company for which he was paid a professional fees of ₹ 1.25 million during the Financial year 2022.

### Attrition rate of Key Managerial Personnel

The rate of attrition of our employees, including the Key Managerial Personnel of our Company, was 2.23%, 2.50%, 2.24%, 2.61% and 0.83% in the Fiscals 2020, 2021, and 2022 and in the three months ended June 30, 2021, and June 30, 2022, respectively which is below the industry average and standards (*Source: Company Commissioned F&S Report*). For details of the attrition rate of our employees, please see “*Risk Factors - Our business may be adversely affected by work stoppages, increased wage demands by our employees, or an increase in minimum wages across various states, and if we are unable to engage new employees at commercially attractive terms*” on page 40 of this RHP.

### Changes in the Key Managerial Personnel

Except as disclosed in “– *Changes in the Board in the last three years*” and as disclosed below, there have been no changes in our Key Managerial Personnel in the last three years:

| Name                  | Designation                                    | Date of change    | Reason for change |
|-----------------------|--|-------------------|-------------------|
| Anand S               | Deputy General Manager-Supply Chain Management | August 2, 2021    | Appointment       |
| Shiva Kumara R        | Vice President                                 | October 1, 2021   | Appointment       |
| Pramod B              | Deputy General Manager-Operations              | October 1, 2021   | Appointment       |
| Ranga KS              | Chief Financial Officer                        | December 22, 2021 | Appointment       |
| Nagaraj R Dhavaskar   | Company Secretary- Legal & Compliance Officer  | December 1, 2021  | Appointment       |
| Atul Dhondiram Mutthe | Manager-Quality                                | December 8, 2021  | Appointment       |

## PROMOTER AND PROMOTER GROUP


Our Promoters are Dr. H. S. Raghavendra Rao, NCBG Holdings Inc. and VNG Technology Private Limited.

As on the date of this Red Herring Prospectus, our Promoters collectively hold an aggregate of 76,000,000 Equity Shares, equivalent to 98.20% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Company. For further details of shareholding of our Promoters and Promoter Group, see “*Capital Structure*” on page 84.

### Details of our Promoters

#### *Individual Promoter*

##### 1. Dr. H.S. Raghavendra Rao

|   |  |
|---|--|
|  | <p>Dr. H. S. Raghavendra Rao (DIN: 00379249), aged 53 years, is one of our Promoters and is also the Chairman and Managing Director of our Company. He resides at Suvarna House No.10, Municipal No.60, 5th Main Road, 5th Block, Behind East R V Metro Station, Jayanagar, Jayanagar East, Bengaluru – 560 041, Karnataka.</p> <p>His permanent account number is AGLPR3257R.</p> <p>For the complete profile of Dr. H.S. Raghavendra Rao, along with details of his educational qualifications, experience in the business or employment, position/posts held in the past, directorships held, date of birth, special achievements and business and financial activities, if any, see “<i>Our Management</i>” on page 207.</p> |
|---|--|

Our Company confirms that the permanent account number, Aadhaar card number, driving license details, bank account number(s) and passport number of our Individual Promoter, Dr. H.S. Raghavendra Rao had been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them.

#### *Corporate Promoter*

##### 2. NCBG Holdings Inc.

#### *Corporate Information:*

NCBG Holdings Inc. (“NCBG”), was incorporated as an exempted company in the Companies Law CAP. 22, as per the laws of the Cayman Islands on June 28, 2002. Its registration number is CR-118638. NCBG is primarily engaged in the business of investment. There have been no changes to the primary business activities undertaken by NCBG.

#### *Shareholding Pattern of NCBG*

The following table sets forth details of the shareholding pattern of NCBG, as on the date of this Red Herring Prospectus:

| S. No. | Name of Shareholder                   | Number of shares | Percentage (%) of shareholding |
|--------|---------------------------------------|------------------|--------------------------------|
| 1.     | Commerce Management Services Limited* | 100              | 100%                           |

\* Neal Jeremy Castleman and Samuel Brian Gamberg hold beneficial shareholding of 50% each, in NCBG Holdings Inc. through Commerce Management Services Limited

#### *Board of directors of NCBG*

The board of directors of NCBG as on the date of this Red Herring Prospectus are as under:

1. Commerce Corporate Services Limited
2. Commerce Advisory Services Limited

### ***Details of the promoter of NCBG***

Commerce Management Services Limited holds 100 shares constituting 100% shareholding in NCBG. The following table sets forth details of the shareholding pattern of Commerce Management Services Limited as on the date of this Red Herring Prospectus:

| <b>S. No.</b> | <b>Name of Shareholder</b> | <b>Number of shares</b> | <b>Percentage (%) of shareholding</b> |
|---------------|----------------------------|-------------------------|---------------------------------------|
| 1.            | Neal Jeremy Castleman      | 50                      | 50.00%                                |
| 2.            | Samuel Brian Gamberg       | 50                      | 50.00%                                |

The natural persons in control of NCBG Holdings Inc. are Neal Jeremy Castleman and Samuel Brian Gamberg.

The board of directors of Commerce Management Services Limited as on the date of this Red Herring Prospectus are as under:

1. Jennifer Fischetti
2. David Mullen
3. Daniel Wright

### ***Details of Change in Control:***

There has been no change in the control of NCBG.

Our Company confirms that permanent account number, bank account number, corporate registration number of NCBG, have been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them. NCBG is as an exempted company in accordance with the Companies Law CAP. 22, and is registered under the laws of the Cayman Islands, and therefore registration and address details of the applicable registrar of companies, is not applicable.

### **3. VNG Technology Private Limited**

#### ***Corporate Information:***

VNG Technology Private Limited (“VNG”) was incorporated as a private limited company on December 14, 2011 under the Companies Act, 1956 pursuant to a certificate of incorporation issued by the RoC. Its corporate identification number is U31401KA2011PTC061629. VNG is primarily engaged in the business of manufacturing of electrical equipment. There have been no changes to the primary business activities undertaken by VNG.

#### ***Shareholding Pattern of VNG***

The following table sets forth details of the shareholding pattern of VNG as on the date of this Red Herring Prospectus:

| <b>S. No.</b> | <b>Name of Shareholder</b>          | <b>Number of equity shares</b> | <b>Percentage (%) of shareholding</b> |
|---------------|-------------------------------------|--------------------------------|---------------------------------------|
| 1.            | Raneal Technologies Private Limited | 152,160                        | 76.08                                 |
| 2.            | Dr. H. S. Raghavendra Rao           | 47,840                         | 23.92                                 |

#### ***Board of Directors of VNG***

The board of directors of VNG as on the date of this Red Herring Prospectus are as under:

1. Dr. H.S. Raghavendra Rao
2. Suresh Babu Anand

#### ***Details of the promoter of VNG***

Raneal Technologies Private Limited is a promoter of VNG, holding 152,160 equity shares constituting 76.08% shareholding in VNG. The following table sets forth details of the shareholding pattern of Raneal Technologies Private Limited as on the date of this Red Herring Prospectus:

| S. No. | Name of Shareholder      | Number of shares | Percentage (%) of shareholding |
|--------|--------------------------|------------------|--------------------------------|
| 1.     | Dr. H.S. Raghavendra Rao | 255,000          | 51.00%                         |
| 2.     | Neal Jeremy Castleman    | 130,000          | 26.00%                         |
| 3.     | Samuel Brian Gamberg     | 115,000          | 23.00%                         |

The board of directors of Raneal Technologies Private Limited as on the date of this Red Herring Prospectus are as under:

1. Ramegowda Shiva Kumar
2. Pramod Basavanna
3. Samuel Brian Gamberg

#### *Details of Change in Control*

Except as disclosed below, there has been no change in the control of VNG in the three years preceding the filing of the RHP:

Pursuant to the share purchase agreement dated June 17, 2021, entered amongst Raneal Technologies Private Limited (“RTPL”), Narendra Narayanan, VNG and the Company (“SPA 1”), RTPL acquired 47,840 fully paid-up equity shares of VNG from Narendra Narayanan, representing 23.92% of total issued and paid up equity share capital of VNG, on a fully diluted basis for an aggregate consideration of approximately ₹ 97.96 million. Further, pursuant to share purchase agreement dated June 17, 2021, entered into by and amongst the Company, RTPL, VNG and Vijaybhai Somabhai Patel, Raghavendra Dibbur Narasinga Rao, M. V. Shubha, D.N. Srinivas and M.M. Jhansi (collectively, “Sellers” and such share purchase agreement, “SPA 2”), RTPL acquired 104,320 fully paid-up equity shares of VNG from Sellers representing 52.16% of total issued and paid-up equity share capital of VNG on a fully diluted basis, for an aggregate consideration of approximately ₹ 213.61 million. For details, see “History and Certain Corporate Matters” on page 198 of this Red Herring Prospectus. Pursuant to SPA 1 and SPA 2, RTPL has acquired 76.08% of the shareholding of VNG. As on date of this RHP, Dr. H. S. Raghavendra Rao and RTPL hold 23.92% and 76.08% shareholding of VNG, respectively. Prior to SPA 1 and SPA 2, the shareholding pattern of the VNG was as follows:

| S. No. | Name of Shareholder              | Number of equity shares | Percentage (%) of shareholding |
|--------|----------------------------------|-------------------------|--------------------------------|
| 1.     | Dr. H. S. Raghavendra Rao        | 47,840                  | 23.92%                         |
| 2.     | Narendra Narayanan               | 47,840                  | 23.92%                         |
| 3.     | Vijaybhai Somabhai Patel         | 66,680                  | 33.34%                         |
| 4.     | Raghavendra Dibbur Narasinga Rao | 6,320                   | 3.16%                          |
| 5.     | M. V. Shubha                     | 6,250                   | 3.12%                          |
| 6.     | D. N. Srinivas                   | 6,250                   | 3.12%                          |
| 7.     | M.M. Jhansi                      | 18,820                  | 9.41%                          |

Prior to SPA 1 and SPA 2, Narendra Narayanan and Dr. H. S. Raghavendra Rao were the promoters of the VNG.

Our Company confirms that PAN details, bank account number, company registration number of VNG and the address of the registrar of companies where VNG is registered, had been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them.

#### **Experience of our Promoters**

Our Promoters have adequate experience in the business activities undertaken by our Company.

#### **Other ventures of our Promoters**

Other than as disclosed in “– Our Promoter Group” below and in section “Our Management – Other Directorships” on page 205, our Promoters are not involved in any other ventures.

#### **Interests of our Promoters**

Our Promoters are interested in our Company to the extent that they have promoted our Company and to the extent of their shareholding in our Company and the dividends payable and any other distributions in respect of their shareholding in our Company. For further details, see “Capital Structure – Build-up of the shareholding of our

*Promoters in our Company*” on page 87. Our Promoter, Dr. H.S. Raghavendra Rao, may be considered interested to the extent of any remuneration, or reimbursement received by him from the Company, in the capacity of Director of our Company and payments made for services rendered by entities in which our Promoters have been interested in. Additionally, our Promoters may also be interested in transactions entered into by our Company with other entities (i) in which our Promoters hold shares, or (ii) which are controlled by our Promoters. For details regarding the shareholding of our Promoters and other interests in our Company, see the sections entitled “*Capital Structure*”, “*Our Management*” and “*Restated Financial Information – Note 36– Related Party disclosures*” on pages 84, 205 and 233, respectively.

Our Promoters are not interested as a member in any firm or company which has any interest in our Company. Further, no sum has been paid or agreed to be paid to our Promoters or to any firm or company in which our Promoters are interested as members, in cash or shares or otherwise by any person either to induce our Promoters to become, or qualify them as a director or promoter, as applicable or otherwise for services rendered by our Promoters or by such firm or company in connection with the promotion or formation of our Company.

#### **Interest in property, land, construction of building and supply of machinery**

Our Promoters have no interest in any property acquired by our Company in the three years preceding the date of this Red Herring Prospectus or proposed to be acquired by our Company, or in any transaction by our Company for acquisition of land, construction of building or supply of machinery.

#### **Payment of benefits to our Promoters or our Promoter Group**

Except as stated in “*Restated Financial Information- Note to Restated Financial Information – Note 36 – Related party disclosures*”, “*Our Management*” and “*Summary of the Offer Document*” on pages 276, 205 and 18 respectively, no amount or benefit has been paid or given to our Promoters or members of our Promoter Group during the two years preceding the filing of this Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoters or members of our Promoter Group.

#### **Material Guarantees**

Our Promoters have not given any material guarantee to any third party with respect to the Equity Shares, as on the date of this Red Herring Prospectus. However, our Promoter Selling Shareholder, VNG Technology Private Limited, has provided guarantees to financial institutions in relation to the working capital facility sanctioned to the Company. Further, our Individual Promoter, Dr. H. S. Raghavendra Rao has executed personal guarantee in relation to loan facility availed by the Company. For details, see “*History and Certain Corporate Matters*” and “*Financial Indebtedness*” on pages 198 and 296, respectively.

#### **Companies or Firms with which our Promoters have disassociated in the last three years**

Our Promoters have not disassociated themselves from any company or firm in the three years immediately preceding the date of this Red Herring Prospectus.

#### **Change in the control of our Company**

VNG, Dinesh P Shah, Jyotivadan Occhavlal Sheth (collectively, “**Sellers**”), NCBG, Dr. H.S. Raghavendra Rao, and our Company had entered into a settlement agreement dated February 24, 2021, (“**Settlement Agreement**”), to resolve certain disputes and differences between NCBG and the Sellers in relation to the management of the affairs of the Company. Pursuant to the Settlement Agreement, Sellers agreed to transfer their entire shareholding in our Company to NCBG and/or its nominees, and to settle outstanding disputes including any legal proceedings in accordance with the terms and conditions of the Settlement Agreement.

Accordingly pursuant to the Settlement Agreement and the share purchase agreement dated June 14, 2021 (“**NCBG SPA**”), entered amongst our Company, Dinesh P Shah and NCBG, NCBG acquired entire stake held by Dinesh P Shah in our Company, comprising 804,850 equity shares of face value of ₹ 10 constituting 23% of our total shareholding of the Company, for an aggregate consideration of Rs. 184.66 million. As on date of this Red Herring Prospectus, Dinesh P Shah does not hold any Equity Shares in the Company. For details of shareholding of our Promoters in the Company, please see “*Capital Structure*” on page 84.

NCBG Holdings Inc. and VNG Technology Private Limited are the original Promoters of the Company. Further,

pursuant to resolution passed by Board of Directors in its meeting held on March 21, 2022, Dr. H. S. Raghavendra Rao has been designated as one of the Promoters, along with NCBG and VNG, and pursuant to the divestment of the shareholding pursuant to the Settlement Agreement, Dinesh P Shah is no longer the Promoter, in terms of SEBI ICDR Regulations. Except as disclosed above, there has not been any change in the Promoters of our Company or in the control of our Company in the five years immediately preceding the date of this Red Herring Prospectus.

### **Other Confirmations**

Our Promoters are not Wilful Defaulters or Fraudulent Borrowers, as applicable, as defined under the SEBI ICDR Regulations.

Our Promoters and members of the Promoter Group have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

Our Promoters are not, and have not been in the past, a promoter or a director of any other company which is prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

### **Our Promoter Group**

In addition to our Promoters, the following individuals and entities form part of the Promoter Group of our Company in terms of Regulation 2(1) (pp) of the SEBI ICDR Regulations.

#### **A. Natural persons forming part of the Promoter Group**

##### *Dr. H.S. Raghavendra Rao*

| <b>S. No.</b> | <b>Name of member of our Promoter Group</b> | <b>Relationship with our Promoter</b> |
|---------------|---|---------------------------------------|
| 1.            | Savitha S.                                  | Spouse                                |
| 2.            | H.S. Subbanna                               | Brother                               |
| 3.            | Ramesh H.S.                                 | Brother                               |
| 4.            | H.S. Vasantha                               | Sister                                |
| 5.            | H.S. Sujatha                                | Sister                                |
| 6.            | Shyam Rao H. R                              | Son                                   |
| 7.            | H.R. Siri                                   | Daughter                              |
| 8.            | Shivagiri Prakash                           | Spouse's father                       |
| 9.            | A Gowri                                     | Spouse's mother                       |
| 10.           | Anitha S                                    | Spouse's sister                       |

##### *NCBG Holdings Inc.*

Neal Jeremy Castleman\*  
Samuel Brian Gamberg\*

*\*hold beneficial shareholding of 50% each, in NCBG Holdings Inc. through Commerce Management Services Limited*

#### **B. Entities forming part of the Promoter Group**

The entities forming part of our Promoter Group are as follows:

##### **A. *Dr. H. S. Raghavendra Rao***

1. Raneal Technologies Private Limited
2. RNSE-Tronics Private Limited
3. R Galaxy

##### **B. *VNG Technology Private Limited***

1. Raneal Technologies Private Limited

***C. NCBG Holdings Inc.***

1. Commerce Management Services Limited



## GROUP COMPANIES

In terms of the SEBI ICDR Regulations, the term “group companies”, includes (i) companies (other than promoter(s) and subsidiary(ies) with which there were related party transactions during the period for which financial information is disclosed, as covered under applicable accounting standards, and (ii) any other companies considered material by the board of directors of the relevant issuer company.

Accordingly, all such companies with which our Company had related party transactions as per the Restated Financial Information, as covered under the relevant accounting standard (i.e., Ind AS 24) have been considered as Group Companies in terms of the SEBI ICDR Regulations.

Additionally, pursuant to the Materiality Policy, a company shall be considered material and shall be disclosed as a Group Company in this Red Herring Prospectus if: (i) such company is a member of the Promoter Group; and (ii) our Company has entered into one or more transactions with such company during the last completed Financial Year and the most recent period (if applicable) of the Restated Financial Information, which individually or cumulatively in value exceeds 1% of the total profit after tax of our Company as per the Restated Financial Information.

Accordingly, the following have been identified as the group companies:

- i. Raneal Technologies Private Limited
- ii. RNSE-Tronics Private Limited
- iii. DCX Chol Enterprises Inc.
- iv. Vinyas Innovative Technologies Private Limited

The details of our Group Companies are provided below:

### A. Details of our Group Companies

In terms of the SEBI ICDR Regulations, the following information based on the audited financial statements, in respect of Group Companies, for the last three years shall be hosted on the website of our Company and/or the respective Group Companies:

- reserves (excluding revaluation reserve)
- sales
- profit after tax
- earnings per share
- diluted earnings per share; and
- net asset value

#### 1. Raneal Technologies Private Limited

##### *Registered Office*

The registered office of Raneal Technologies Private Limited is situated at No. 211, 6th Cross, Vijayashree Layout, Mylasandra, R V College Post, Bangalore-560059, Karnataka, India.

##### *Financial Information*

The financial information derived from the audited financial statements of Raneal Technologies Private Limited for the last three Financial Years, as required by the SEBI ICDR Regulations is available on the website of Raneal Technologies Private Limited at <http://raneal.com/compliance/annualreturn>.

#### 2. RNSE-Tronics Private Limited

##### *Registered Office*

The registered office of RNSE-Tronics Private Limited is situated at No. 64/1, 2<sup>nd</sup> Floor, Sajjan Rao Circle, Kavi Lakhmisha Road, Vishweshwara Puram, Bangalore-560004, Karnataka, India.

##### *Financial Information*

The financial information derived from the audited financial statements of RNSE-Tronics Private Limited for the last three Financial Years, as required by the SEBI ICDR Regulations is available on the website of RNSE-Tronics Private Limited at <https://rnselectronics.com/annualreturns>.

**3. DCX Chol Enterprises Inc.**

***Registered Office***

The registered office of DCX Chol Enterprises Inc. is situated at 12831 S. Figueroa Street, Los Angeles, California-90061, United States of America.

***Financial Information***

The financial information derived from the audited financial statements of DCX Chol Enterprises Inc for the last three Financial Years, as required by the SEBI ICDR Regulations is available on the website of our Company at <https://dcxindia.com/investors>.

**4. Vinyas Innovative Technologies Private Limited**

***Registered Office***

The registered office of Vinyas Innovative Technologies Private Limited is situated at Plot No.19. Serial. No. 26 & 273-P, 3<sup>rd</sup> Phase, Koorgalli Industrial Area, Mysuru – 570 018, Karnataka, India.

***Financial Information***

The financial information derived from the audited financial statements of Vinyas Innovative Technologies Private Limited for the last three Financial Years, as required by the SEBI ICDR Regulations is available on the website of our Company at <https://dcxindia.com/investors>.

**Nature and extent of interest of our Group Companies**

**a. *In the promotion of our Company***

Our Group Companies do not have any interest in the promotion of our Company.

**b. *In the properties acquired by our Company in the preceding three years before filing the Red Herring Prospectus or proposed to be acquired by our Company***

Our Group Companies are not interested, directly or indirectly, in the properties acquired or proposed to be acquired by our Company in the three years preceding the filing of this Red Herring Prospectus.

**c. *In transactions for acquisition of land, construction of building and supply of machinery***

Our Group Companies are not interested, directly or indirectly, in any transaction for the acquisition of land, construction of building, supply of machinery, or any other contract, agreement or arrangement entered into by our Company and no payments have been made or are proposed to be made in respect of these contracts, agreements or arrangements, by any of our Group Companies.

**Common Pursuits between our Group Companies and our Company**

Although RNSE-Tronics Private Limited has common pursuits as per the object clause of its memorandum of association, it is not pursuing any business similar to that of the Company. The Company is primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harnesses assemblies while RNSE-Tronics Private Limited is engaged in the trading of electronic and electromechanical components required for the defence and aerospace industry.

Further, Vinyas Innovative Technologies Private Limited and DCX CHOL Enterprises Inc are engaged in business activity similar to that of our Company and the proposed business in our Subsidiary Raneal. DCX CHOL Enterprises Inc. however caters to the global markets majority of which are different from our Company. We will adopt the necessary procedures and practices as permitted by law to address any conflict situation as and when they arise.

**Related Business Transactions with the Group Companies and significance on the financial performance of our Company**

Except as disclosed in “*Summary of the Offer Document- Summary of Related Party Transactions*” on page 22, there are no other related business transactions with our Group Companies.

**Business interest of our Group Companies in our Company**

Except in the ordinary course of business and as disclosed in “*Restated Financial Information –Note 36-Related Party Transactions*” on page 276, “*Summary of the Offer Document- Summary of Related Party Transactions*” on page 22 and “*Financial Indebtedness*” on page 296, our Group Companies have no business interest in our Company.

**Litigation**

As on the date of this Red Herring Prospectus, our Group Companies are not party to any pending litigation which will have a material impact on our Company.

**Other confirmations**

None of our Group Companies have securities listed on any stock exchange.

## DIVIDEND POLICY

The declaration and payment of dividends is recommended by our Board and approved by our Shareholders, at their discretion, subject to the provisions of our Articles of Association, and applicable laws including the Companies Act read with rules made thereunder. In addition, declaration and payment of dividends would be subject to our Company's dividend policy, adopted by our Board on March 21, 2022 ("**Dividend Distribution Policy**").

The dividend, if any, will depend on a number of factors, including but not limited to the growth of our Company, the cash flow position of our Company, accumulated reserves, business cycles, economic environment, changes in the government policies, industry specific rulings and regulatory provisions and other factors considered relevant by our Board. We may retain all our future earnings, if any, for use in the operations and expansion of our business. For details in relation to risks involved in this regard, see "*Risk Factors – Our Company may not be able to pay dividends in the future. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures and the terms of our financing arrangements*" on page 57.

In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements our Company may enter into to finance our fund requirements for our business activities.

We have not declared any dividends in the three Fiscals immediately preceding the filing of this Red Herring Prospectus. Further, our Company has not declared any dividend until the date of filing of this Red Herring Prospectus.

**SECTION V FINANCIAL INFORMATION**

**RESTATED FINANCIAL INFORMATION**

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# NBS & CO.

## Chartered Accountants

14/2, Western India House, Sir P. M. Road, Fort, Mumbai – 400001.

Tel: (91-22) 22870588 / 0939 / 4140, 22885229

Fax: (91-22) 22884910. Email id: admin@nbsandco.in. Web: www.nbsandco.in.

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### Independent Auditor's Examination Report on the Restated Financial Information

To,

**The Board of Directors**

**DCX SYSTEMS LIMITED**

(Formerly known as DCX Cable Assemblies Private Limited)

Aerospace SEZ Sector,

Plot Nos. 29,30 and 107,

Hitech Defence and Aerospace Park,

KIADB Industrial area, Devenahalli Taluk,

Bengaluru Rural, Karnataka - 562110

Dear Sirs,

1. We, NBS & CO., Chartered Accountants (“we” or “us”) have examined the attached Restated Financial Information of DCX Systems Limited (Formerly known as DCX Cable Assemblies Private Limited, the “**Company**” or the “**Issuer**”) and its subsidiary (collectively, the “**Group**”) comprising (i) the Restated Consolidated Statement of Assets and Liabilities as at June 30, 2022 and as at March 31, 2022, the Restated Consolidated Statements of Profit and Loss (including other comprehensive income), the Restated Consolidated Statement of Changes in Equity and the Restated Cash Flow Statement for the three months ended June 30, 2022 and the year ended March 31, 2022, the Summary Statement of Significant Accounting Policies, and other explanatory information relating to such financial period; and (ii) the Restated Standalone Statement of Assets and Liabilities as at June 30, 2021, March 31 2021, and March 31 2020, the Restated Standalone Statements of Profit and Loss (including other comprehensive income), the Restated Standalone Statement of Changes in Equity and the Restated Cash Flow Statement for the three months period ended June 30, 2021 and for the year ended March 31 2021 and March 31 2020, the Summary Statement of Significant Accounting Policies, and other explanatory information (collectively referred as the “**Restated Financial Information**”), as approved by the Board of Directors of the Company at their meeting held on 16 September 2022 for the purpose of inclusion in the Red Herring Prospectus (“**RHP**”) and the Prospectus (“**Prospectus**”, together with the RHP, the “**Offer Documents**”), prepared by the Company in connection with its proposed initial public offer (“**IPO**”) of equity shares prepared in terms of the requirements of:
  - a) Section 26 of Part I of Chapter III of the Companies Act, 2013 (the “**Act**”), as amended (the “**Act**”);
  - b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**ICDR Regulations**”); and
  - c) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India (“**ICAI**”), as amended from time to time (the “**Guidance Note**”).
2. The Company’s Board of Directors is responsible for the preparation of the Restated Financial

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Information for the purpose of inclusion in the Offer Documents to be filed with Securities and Exchange Board of India (“SEBI”), Registrar of Companies, Karnataka at Bengaluru (“RoC”), BSE Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”) in connection with the proposed IPO. The Restated Financial Information have been prepared by the management of the Company in accordance with the basis of preparation stated in Note 1 to the Restated Financial Information. The responsibility of the Board of Directors of the Company includes designing, implementing and maintaining adequate internal controls relevant to the preparation and presentation of the Restated Financial Information. The respective Board of Directors are also responsible for identifying and ensuring that the Group complies with the Act, ICDR Regulations and the Guidance Note.

Our responsibility is to examine the Restated Financial Information and confirm whether such Restated Financial Information comply with the requirements of the Act, ICDR Regulations and the Guidance Note.

3. We have examined such Restated Financial Information taking into consideration:
  - a) The terms of reference and terms of our engagement agreed upon with the Company in accordance with our engagement letter dated February 16, 2022 in connection with the proposed IPO of equity shares of the Issuer;
  - b) The Guidance Note, which also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;
  - c) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and
  - d) The requirements of Section 26 of the Act and the ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the IPO.

4. These Restated Financial Information have been compiled by the management from:
  - a) Audited special purpose Ind AS consolidated financial statements of the Group as at and for the three months period ended June 30, 2022 prepared in accordance with the Indian Accounting Standards (referred to as “Ind AS”) prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meeting held on September 16, 2022.
  - b) Audited special purpose Ind AS standalone financial statements of the Company as at and for the three months period ended June 30 2021 prepared in accordance with Ind AS prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meeting held on September 16, 2022.
  - c) Audited Ind AS consolidated financial statements of the Group as at and for the financial year ended March 31, 2022, prepared in accordance with Ind AS prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meeting held on July, 21, 2022.

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## Chartered Accountants

- d) Audited special purpose standalone Ind AS financial statements of the Company as at and for the financial years ended March 31, 2021 and March 31, 2020 prepared in accordance with Ind AS prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meeting held on February 11, 2022.
5. For the purpose of our report, we have relied on:
- a) Audit reports issued by us dated September 16, 2022 on the special purpose Ind AS consolidated financial statements of the Group as at and for the three months period ended June 30, 2022, as referred in paragraph 4 (a) above.
- b) Audit reports issued by us dated September 16, 2022 on the special purpose standalone Ind AS financial statements of the Company as at and for the period ended June 30 2021, as referred in Paragraph 4 (b) above.
- c) The audit report issued by us dated July 22, 2022 on Ind AS consolidated financial statements of the Group as at and for the financial year ended March 31, 2022, as referred in paragraph 4 (c) above.
- d) Audit reports issued by us dated February 15, 2022 on the Special purpose Ind AS financial statements of the Company as at and for the financial years ended March 31, 2021 and March 31, 2020 respectively, as referred in Paragraph 4 (d) above.
6. We did not audit the financial statements in respect of the subsidiary, Raneal Advanced Systems Private Limited, whose share of total equity, total assets and net profit/(loss) for the period included which were audited by Rajagopal A (“**Other Auditor**”) and whose audit reports have been furnished to us by the Group’s management and our opinion on the above aforesaid audited consolidated financial statements, in so far as it had related to the below mentioned amounts and disclosures included in respect of the subsidiary as mentioned above, is based solely on the audit report of the Other Auditor is as below:

(INR in Million)

| Particulars                      | As at and for the year ended March 31, 2022 | As at and for the three months ended June 30, 2022 |
|----------------------------------|---|--|
| Total Equity                     | 0.93  | (1.03)   |
| Total Assets                     | 1.00  | 0.05   |
| Net Profit/(loss) for the period | 0.06  | (1.97)   |

7. The auditors’ report on the financial statements as at for the period ended March 31 2020, March 31 2021, March 31 2022, June 30 2021 and June 30 2022 includes following emphasis of matters which do not require any corrective adjustments to the Restated Financial Information:

### **Emphasis of Matter- March 31, 2020**

Emphasis of matter paragraph has been included for year 19-20 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.



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## Chartered Accountants

### **Emphasis of Matter- March 31, 2021**

Emphasis of matter paragraph has also been included for year 20-21 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.

### **Emphasis of Matter- March 31, 2022**

Emphasis of matter paragraph has also been included for year 21-22 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.

### **Emphasis of Matter- June 30, 2021**

Emphasis of matter paragraph has also been included for period ended June 30, 2021 for the spread of COVID-19 has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain. However as per the management assessment no material adjustments required in the financial statements.

### **Emphasis of Matter- June 30, 2022**

Emphasis of matter paragraph has also been included for period ended June 30, 2022 for the spread of COVID-19 has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain. However as per the management assessment no material adjustments required in the consolidated financial statements.

8. Our opinion on the audited consolidated financial statements of the Group for the year ended March 31, 2020, 2021 and 2022 and three months ended June 30, 2021 and June 30, 2022 is not modified in respect of these matters. Based on our examination and according to the information and explanations given to us, we report that the Restated Financial Information:
- have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively for the financial years ended March 31, 2022, March 31, 2021 and March 31, 2020 and for the three months period ended June 30, 2021 and June 30 2022, to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as on June 30, 2022;
  - a) do not contain any qualifications that requires adjustments;
  - b) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.
9. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the Ind AS financial statements and the special purpose Ind AS financial statements mentioned in paragraph 4 above.

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## **Chartered Accountants**

10. This report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
11. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
12. Our report is intended solely for use of the Board of Directors for inclusion in the Offer Documents to be filed with the SEBI, the BSE and the NSE in connection with the proposed IPO. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

**For NBS & CO.**

Chartered Accountants  
Firm Reg No: 110100W

**Pradeep Shetty**

**Partner**

Mem No.: 046940

UDIN:22046940ATFRPA5750

Place: Mumbai

Date: 16<sup>th</sup> September, 2022

DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)

Restated statement of Assets and Liabilities

(All amounts in Indian Rupees Millions, unless otherwise stated)

| Particulars   | Note   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the year ended 31 March 2020 |
|---|--------|---|---|---|---|---|
| <b>ASSETS</b>   |        |   |   |   |   |   |
| <b>Non-current assets</b>   |        |   |   |   |   |   |
| Property, plant and equipment   | 2      | 104.08  | 111.54  | 107.94  | 116.12                                      | 127.02                                      |
| Right-of-use assets   | 3      | 38.10   | 38.10   | 38.10   | 38.10                                       | 38.10                                       |
| Other intangible assets   | 4      | 0.20  | 1.58  | 0.48  | 1.78  | 0.88  |
| Financial assets  |        |   |   |   |   |   |
| (i) Investments   | 5      | -   | -   | -   | -   | -   |
| (ii) Other financial assets   | 6      | 0.74  | 355.16  | 3.18  | 3.10  | 6.22  |
| Deferred tax assets (net)   | 32 (d) | 40.59   | 7.59  | 38.02   | 5.35  | 3.43  |
| Other non-current assets  | 7      | 0.50  | 0.50  | 0.50  | 0.50  | 0.50  |
| <b>Total non-current assets</b>   |        | <b>184.21</b>                                   | <b>514.47</b>                                 | <b>188.22</b>                                 | <b>164.95</b>                               | <b>176.15</b>                               |
| <b>Current assets</b>   |        |   |   |   |   |   |
| Inventories   | 8      | 803.22  | 1,442.63                                      | 272.51  | 2,016.76                                    | 772.11                                      |
| Financial assets  |        |   |   |   |   |   |
| (i) Investments   | 9      | -   | -   | -   | -   | 1.19  |
| (ii) Trade receivables  | 10     | 1,084.08  | 127.36  | 694.94  | 123.14                                      | 879.71                                      |
| (iii) Cash and cash equivalents   | 11     | 1,597.20  | 199.34  | 1,884.79                                      | 858.83                                      | 564.07                                      |
| (iv) Bank balances other than (iii) above   | 12     | 6,185.72  | 4,673.72                                      | 6,118.44                                      | 4,634.50                                    | 3,602.17                                    |
| (v) Other financial assets  | 13     | 3.14  | 30.54   | 50.68   | 30.54                                       | 30.58                                       |
| Other current assets  | 14     | 258.48  | 646.06  | 216.57  | 103.06                                      | 962.49                                      |
| <b>Total current assets</b>   |        | <b>9,931.84</b>                                 | <b>7,119.65</b>                               | <b>9,237.93</b>                               | <b>7,766.83</b>                             | <b>6,812.32</b>                             |
| <b>Total assets</b>   |        | <b>10,116.05</b>                                | <b>7,634.12</b>                               | <b>9,426.15</b>                               | <b>7,931.78</b>                             | <b>6,988.47</b>                             |
| <b>EQUITY &amp; LIABILITIES</b>   |        |   |   |   |   |   |
| <b>Equity</b>   |        |   |   |   |   |   |
| Equity share capital  | 15     | 154.80  | 35.00   | 154.80  | 35.00                                       | 35.00                                       |
| Other equity  | 16     | 1,077.04  | 465.47  | 1,021.10                                      | 432.86                                      | 136.70                                      |
| <b>Total equity</b>   |        | <b>1,231.84</b>                                 | <b>500.47</b>                                 | <b>1,175.90</b>                               | <b>467.86</b>                               | <b>171.70</b>                               |
| <b>Liabilities</b>  |        |   |   |   |   |   |
| <b>Non-current liabilities</b>  |        |   |   |   |   |   |
| Financial liabilities   |        |   |   |   |   |   |
| (i) Borrowings  | 17     | 354.40  | -   | 354.40  | -   | -   |
| (ii) Trade payables   |        |   |   |   |   |   |
| (iii) Other financial liabilities   |        |   |   |   |   |   |
| Provisions  | 18     | 10.43   | 10.36   | 10.38   | 8.29  | 8.21  |
| <b>Total non-current liabilities</b>  |        | <b>364.83</b>                                   | <b>10.36</b>                                  | <b>364.78</b>                                 | <b>8.29</b>                                 | <b>8.21</b>                                 |
| <b>Current liabilities</b>  |        |   |   |   |   |   |
| Financial liabilities   |        |   |   |   |   |   |
| (i) Borrowings  | 19     | 4,628.82  | 1,126.23                                      | 4,671.80                                      | 1,363.79                                    | 1,339.77                                    |
| (ii) Trade payables   | 20     |   |   |   |   |   |
| a) total outstanding dues of micro enterprises and small enterprises                      |        | 597.07  | 344.67  | 452.63  | 9.96  | 2.39  |
| b) total outstanding dues of creditors other than micro enterprises and small enterprises |        | 484.10  | 658.25  | 512.50  | 1,288.03                                    | 1,504.60                                    |
| (iii) Other financial liabilities   | 21     | 12.82   | 6.03  | 6.97  | 165.14                                      | 6.01  |
| Other current liabilities   | 22     | 2,701.10  | 4,765.11                                      | 2,153.17                                      | 4,546.43                                    | 3,946.08                                    |
| Provisions  | 23     | 0.92  | 133.91  | 0.44  | 0.41  | 0.40  |
| Current tax liabilities (net)   | 32 (c) | 94.56   | 89.09   | 87.96   | 81.87                                       | 9.31  |
| <b>Total current liabilities</b>  |        | <b>8,519.39</b>                                 | <b>7,123.29</b>                               | <b>7,885.47</b>                               | <b>7,455.63</b>                             | <b>6,808.56</b>                             |
| <b>Total liabilities</b>  |        | <b>8,884.21</b>                                 | <b>7,133.65</b>                               | <b>8,250.25</b>                               | <b>7,463.92</b>                             | <b>6,816.77</b>                             |
| <b>Total equity and liabilities</b>   |        | <b>10,116.05</b>                                | <b>7,634.12</b>                               | <b>9,426.15</b>                               | <b>7,931.78</b>                             | <b>6,988.47</b>                             |

The above statement should be read with basis of preparation, significant accounting policies and notes forming part of the restated Financial Information.

As per our report of even date attached

For

NBS & Co.  
Chartered Accountants  
FRN : 110100W

Sd/-  
Pradeep Shetty  
Partner  
M No: 046940  
Place: Mumbai  
Date:16-Sep-2022  
UDIN: 22046940ATFRPA5750

For and on behalf of Board of Directors of  
DCX Systems Limited  
(Formerly known as DCX Cable Assemblies Private Limited)  
CIN: U31908KA2011PLC061686

Sd/-  
H S Raghavendra Rao  
Chairman & Managing Director  
DIN : 00379249

Sd/-  
K S Ranga  
Chief Financial Officer  
Place : Bangalore  
Date:16-Sep-2022

Sd/-  
R Sankarakrishnan  
Whole Time Director  
DIN : 00078459

Sd/-  
Nagaraj R Dhavaskar  
Company Secretary  
Membership No: A53230

| DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)  |      |   |                    |   |                         |                    |
|---|------|---|--------------------|---|-------------------------|--------------------|
| Restated Statement of Profit and Loss   |      |   |                    |   |                         |                    |
| (All amounts in Indian Rupees Millions, unless otherwise stated)  |      |   |                    |   |                         |                    |
| Particulars   | Note | Consolidated For the  | Standalone For the | Consolidated For the  | Standalone For the year | Standalone For the |
|   |      | Quarter ended   | Quarter ended      | year ended  | ended                   | year ended         |
|   |      | 30 June 2022  | 30 June 2021       | 31 March 2022   | 31 March 2021           | 31 March 2020      |
| <b>Income</b>   |      |   |                    |   |                         |                    |
| Revenue from operations   | 24   | 2132.54   | 1229.14            | 11,022.73   | 6,411.63                | 4,492.62           |
| Other Income  | 25   | 70.00   | 57.72              | 220.61  | 420.79                  | 159.67             |
| <b>Total income</b>   |      | <b>2,202.54</b>   | <b>1,286.86</b>    | <b>11,243.34</b>  | <b>6,832.42</b>         | <b>4,652.29</b>    |
| <b>Expenses</b>   |      |   |                    |   |                         |                    |
| Cost of materials Consumed  | 26   | 1901.27   | 584.04             | 9,293.43  | 6,604.35                | 4,311.78           |
| Changes in inventories of finished goods and work-in-progress   | 27   | 0.00  | 558.51             | 712.43  | (419.66)                | (232.49)           |
| Employee benefit expenses   | 28   | 24.31   | 15.60              | 86.65   | 54.79                   | 55.97              |
| Finance cost  | 29   | 49.76   | 14.28              | 113.22  | 99.22                   | 79.41              |
| Depreciation and amortisation expenses  | 30   | 4.59  | 5.02               | 21.75   | 24.31                   | 13.76              |
| Other expenses  | 31   | 157.90  | 71.37              | 260.31  | 71.35                   | 295.19             |
| <b>Total expenses</b>   |      | <b>2,137.83</b>   | <b>1,248.82</b>    | <b>10,487.79</b>  | <b>6,434.36</b>         | <b>4,523.62</b>    |
| <b>Profit before tax</b>  |      | <b>64.71</b>  | <b>38.04</b>       | <b>755.55</b>   | <b>398.06</b>           | <b>128.67</b>      |
| <b>Tax expense:</b>   | 32   |   |                    |   |                         |                    |
| Current tax   |      | (11.65)   | (6.65)             | (132.02)  | (104.65)                | (37.41)            |
| Deferred tax  |      | (0.03)  | 0.55               | 2.59  | 2.17                    | 1.24               |
| MAT Credit  |      | 2.65  | 1.51               | 29.96   | -                       | -                  |
| Previous year tax charges   |      | -   | -                  | -   | -                       | 4.94               |
| <b>Total Tax Expenses</b>   |      | <b>(9.03)</b>   | <b>(4.59)</b>      | <b>(99.47)</b>  | <b>(102.48)</b>         | <b>(31.23)</b>     |
| <b>Profit for the period (A)</b>  |      | <b>55.68</b>  | <b>33.45</b>       | <b>656.08</b>   | <b>295.58</b>           | <b>97.44</b>       |
| <b>Other comprehensive (loss)/ income</b>   |      |   |                    |   |                         |                    |
| <b>Items that will not be reclassified subsequently to profit or loss</b>   |      |   |                    |   |                         |                    |
| (i) Remeasurements of defined benefit liability / (asset)   |      | 0.32  | (1.02)             | (0.32)  | 0.82                    | (0.36)             |
| (ii) Income tax relating to remeasurements of defined benefit liability / (asset)   |      | (0.06)  | 0.18               | 0.11  | (0.24)                  | 0.10               |
| <b>Total Other comprehensive (loss)/ income(B)</b>  |      | <b>0.26</b>   | <b>(0.84)</b>      | <b>(0.21)</b>   | <b>0.58</b>             | <b>(0.26)</b>      |
| <b>Total comprehensive income for the period (A+ B)</b>   |      | <b>55.94</b>  | <b>32.61</b>       | <b>655.87</b>   | <b>296.16</b>           | <b>97.18</b>       |
| <b>Profit attributable to:</b>  |      |   |                    |   |                         |                    |
| Owners of the Company   | 100% | 55.68   | 33.45              | 656.08  | 295.58                  | 97.44              |
| Non-controlling interests   | 0%   | -   | -                  | -   | -                       | -                  |
|   |      | <b>55.68</b>  | <b>33.45</b>       | <b>656.08</b>   | <b>295.58</b>           | <b>97.44</b>       |
| <b>Other Comprehensive Income attributable to:</b>  |      |   |                    |   |                         |                    |
| Owners of the Company   | 100% | 0.26  | (0.84)             | (0.21)  | 0.58                    | (0.26)             |
| Non-controlling interests   | 0%   | -   | -                  | -   | -                       | -                  |
|   |      | <b>0.26</b>   | <b>(0.84)</b>      | <b>(0.21)</b>   | <b>0.58</b>             | <b>(0.26)</b>      |
| <b>Earnings per equity share</b>  |      |   |                    |   |                         |                    |
| [nominal value of Rs. 2]  |      |   |                    |   |                         |                    |
| Basic   | 33   | 0.72  | 0.48               | 9.19  | 4.22                    | 1.39               |
| Diluted   |      | 0.72  | 0.48               | 9.19  | 4.22                    | 1.39               |
| The above statement should be read with basis of preparation, significant accounting policies and notes forming part of the restated Financial Information. |      |   |                    |   |                         |                    |
| As per our report of even date attached   |      | For and on behalf of the Board of Directors of<br>DCX Systems Limited<br>(formerly known as DCX Cable Assemblies Private Limited)<br>CIN: U31908KA2011PLC061686 |                    |   |                         |                    |
| For<br>NBS & Co.<br>Chartered Accountants<br>FRN : 110100W  |      | Sd/-<br>H S RAGHAVENDRA RAO<br>Chairman & Managing Director<br>DIN: 00379249  |                    | Sd/-<br>R SANKARAKRISHNAN<br>WHOLE TIME DIRECTOR<br>DIN: 00078459         |                         |                    |
| Sd/-<br>Pradeep Shetty<br>Partner<br>M No: 046940<br>Place: Mumbai<br>Date:16-Sep-2022<br>UDIN:22046940ATFRPA5750   |      | Sd/-<br>K S RANGA<br>CHIEF FINANCIAL OFFICER<br>Place: Bangalore<br>Date:16-Sep-2022  |                    | Sd/-<br>NAGARAJ R DHAVASKAR<br>COMPANY SECRETARY<br>Membership No. A53230 |                         |                    |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**

**Restated Statement of Cash Flows**

(All amounts in Indian Rupees Millions, unless otherwise stated)

| Particulars  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| <b>A. Cash flow from operating activities</b>  |   |   |   |   |   |
| Profit before tax  | 64.71   | 38.04   | 755.55  | 398.06                                      | 128.67                                      |
| <b>Adjustments to reconcile profit before tax to net cash flows:</b>                   |   |   |   |   |   |
| Interest on fixed deposits   | (69.90)   | (57.67)                                       | (220.24)                                      | (223.96)                                    | (146.87)                                    |
| Unwinding of interest on security deposit  | -   | -   | -   | -   | (0.23)                                      |
| Gain on termination of lease   | -   | -   | -   | -   | (1.66)                                      |
| (Income) / loss arising from fair valuation of assets through profit & loss            | -   | -   | -   | 0.19  | (0.13)                                      |
| Interest on borrowings   | 49.76   | 14.28   | 72.40   | 47.39                                       | 54.98                                       |
| Unwinding of interest on lease liabilities   | -   | -   | -   | -   | 1.53  |
| Depreciation and amortisation expense  | 4.59  | 5.02  | 21.75   | 24.31                                       | 13.76                                       |
| <b>Operating profit before working capital changes</b>                                 | <b>49.16</b>                                    | <b>(0.33)</b>                                 | <b>629.46</b>                                 | <b>245.99</b>                               | <b>50.05</b>                                |
| Movement in working capital:   |   |   |   |   |   |
| (Increase)/Decrease in trade receivables   | (389.14)  | (4.22)  | (571.80)                                      | 756.57                                      | 123.25                                      |
| (Increase)/Decrease in inventories   | (530.72)  | 574.13  | 1,744.25                                      | (1,244.65)                                  | (707.70)                                    |
| (Increase)/Decrease in other current assets  | (41.92)   | (543.00)                                      | (113.51)                                      | 859.43                                      | 110.89                                      |
| (Increase)/Decrease in other non current financial assets                              | 2.44  | (352.06)                                      | (0.08)  | 3.12  | (1.27)                                      |
| (Increase)/Decrease in other current financial assets                                  | 47.54   | -   | (20.14)                                       | 0.04  | (8.91)                                      |
| Increase/(Decrease) in trade payables  | 116.04  | (295.07)                                      | (332.86)                                      | (209.00)                                    | 767.09                                      |
| Increase/(Decrease) in non current provisions  | 0.05  | 2.07  | 2.08  | 0.66  | 1.94  |
| Increase/(Decrease) in current provisions  | 0.47  | 133.50  | (0.18)  | 0.01  | 0.07  |
| Increase/(Decrease) in other current financial liabilities                             | 5.85  | (159.10)                                      | (158.17)                                      | 159.13                                      | 1.13  |
| Increase/(Decrease) in other current liabilities                                       | 547.93  | 218.68  | (2,393.27)                                    | 600.35                                      | 1,004.52                                    |
| <b>Cash generated from operations</b>  | <b>(192.29)</b>                                 | <b>(425.41)</b>                               | <b>(1,214.22)</b>                             | <b>1,171.65</b>                             | <b>1,341.06</b>                             |
| Net income tax (paid)  | (4.73)  | (0.45)  | (126.03)                                      | (31.84)                                     | (40.78)                                     |
| <b>Net cash from operating activities (A)</b>  | <b>(197.02)</b>                                 | <b>(425.86)</b>                               | <b>(1,340.25)</b>                             | <b>1,139.81</b>                             | <b>1,300.28</b>                             |
| <b>B. Cash flows from investing activities</b>   |   |   |   |   |   |
| Purchase of property, plant and equipment and Other Intangible assets                  | (0.45)  | (0.24)  | (16.16)                                       | (15.84)                                     | (102.83)                                    |
| Proceeds from disposal of property, plant and equipment                                | -   | -   | 3.90  | 1.53  | -   |
| Capital work in progress and capital advance   | -   | -   | -   | -   | -   |
| Investment/(Sale) of mutual funds  | -   | -   | -   | 1.00  | 40.00                                       |
| (Increase)/Decrease in Other non-current assets  | -   | -   | -   | -   | -   |
| Investment in Subsidiary   | -   | -   | -   | -   | -   |
| Loans (Financial assets)   | -   | -   | -   | -   | -   |
| Interest received  | 69.90   | 57.67   | 220.24  | 223.96                                      | 146.87                                      |
| <b>Net cash used in investing activities (B)</b>                                       | <b>69.45</b>                                    | <b>57.43</b>                                  | <b>207.98</b>                                 | <b>210.65</b>                               | <b>84.04</b>                                |
| <b>C. Cash flows from financing activities</b>   |   |   |   |   |   |
| Proceed form long term liabilities   |   |   |   |   | (4.00)                                      |
| Proceeds / (repayment) from working capital/Working Capital Term Loan facilities (net) | (42.98)   | (237.56)                                      | 3,662.40                                      | 24.02                                       | 250.19                                      |
| Interest amount  | -   | -   | -   | -   | (1.53)                                      |
| Proceeds from issue of Shares  | -   | -   | 52.17   | -   | -   |
| Interest paid  | (49.76)   | (14.28)                                       | (72.40)                                       | (47.39)                                     | (54.98)                                     |
| <b>Net cash used in financing activities ( C )</b>                                     | <b>(92.74)</b>                                  | <b>(251.84)</b>                               | <b>3,642.17</b>                               | <b>(23.37)</b>                              | <b>189.68</b>                               |
| <b>Net increase / (decrease) in Cash and cash equivalents (A+B+C)</b>                  | <b>(220.31)</b>                                 | <b>(620.27)</b>                               | <b>2,509.90</b>                               | <b>1,327.09</b>                             | <b>1,574.00</b>                             |
| Cash and cash equivalents at the beginning of the period / year                        | 8,003.23  | 5,493.33                                      | 5,493.33                                      | 4,166.24                                    | 2,592.24                                    |
| <b>Cash and cash equivalents at the end of the period / year</b>                       | <b>7,782.92</b>                                 | <b>4,873.06</b>                               | <b>8,003.23</b>                               | <b>5,493.33</b>                             | <b>4,166.24</b>                             |
| <b>Notes:-</b>   |   |   |   |   |   |
| 1. Cash and cash equivalents include   |   |   |   |   |   |
| Cash on hand   | -   | -   | -   | 0.01  | -   |
| Balances with bank   | -   | -   | -   | -   | -   |
| Current accounts   | 1,597.20  | 199.34  | 1,884.79                                      | 858.82                                      | 564.07                                      |
| Other bank balances  | 6,185.72  | 4,673.72                                      | 6,118.44                                      | 4,634.50                                    | 3,602.17                                    |
|  | <b>7,782.92</b>                                 | <b>4,873.06</b>                               | <b>8,003.23</b>                               | <b>5,493.33</b>                             | <b>4,166.24</b>                             |

The above cash flow statement has been prepared under the 'Indirect Method' set out in Ind AS 7 - on Statement of Cash Flows as notified under Companies (Accounts) Rules, 2015.

The above statement should be read with basis of preparation, significant accounting policies and notes forming part of the restated Financial

As per our report attached of even date

**For**  
NBS & Co.  
Chartered Accountants  
FRN : 110100W

**Sd/-**  
**Pradeep Shetty**  
Partner  
M No: 046940  
Place: Mumbai  
Date:16-Sep-2022  
UDIN:22046940ATFRPA5750

**For and on behalf of the Board of Directors of**  
**DCX Systems Limited**  
**(Formerly known as DCX Cable Assemblies Private Limited)**  
CIN: U31908KA2011PLC061686

**Sd/-**  
**H S RAGHAVENDRA RAO**  
**CHAIRMAN & MANAGING DIRECTOR**  
**DIN: 00379249**

**Sd/-**  
**K S RANGA**  
**CHIEF FINANCIAL OFFICER**  
**Place: Bangalore**  
**Date:16-Sep-2022**

**Sd/-**  
**R SANKARAKRISHNAN**  
**WHOLE TIME DIRECTOR**  
**DIN: 00078459**

**Sd/-**  
**NAGARAJ R DHAVASKAR**  
**COMPANY SECRETARY**  
**Membership No. A53230**

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**

**Restated statement of Changes in Equity**

(All amounts in Indian Rupees Millions, unless otherwise stated)

**(a) Equity share capital**

| Particulars  | Consolidated For the Quarter ended<br>30 June 2022 |               | Standalone For the Quarter ended<br>30 June 2021 |              | Consolidated for the year ended<br>31 March 2022 |               | Standalone for the year ended<br>31 March 2021 |              | Stand alone for the year ended<br>31 March 2020 |              |
|--|--|---------------|--|--------------|--|---------------|--|--------------|---|--------------|
|  | Number of Shares*                                  | Amount        | Number of Shares*                                | Amount       | Number of Shares*                                | Amount        | Number of Shares*                              | Amount       | Number of Shares*                               | Amount       |
| <b>Balance at the beginning of the reporting year/period</b>               | 7,74,00,000  | 154.80        | 35,00,000  | 35.00        | 35,00,000  | 35.00         | 35,00,000                                      | 35.00        | 35,00,000                                       | 35.00        |
| Changes in equity share capital due to prior period errors                 | -  | -             | -  | -            | -  | -             | -  | -            | -   | -            |
| <b>Restated balance as at the beginning of the reporting period / year</b> | <b>7,74,00,000</b>                                 | <b>154.80</b> | <b>35,00,000</b>                                 | <b>35.00</b> | <b>35,00,000</b>                                 | <b>35.00</b>  | <b>35,00,000</b>                               | <b>35.00</b> | <b>35,00,000</b>                                | <b>35.00</b> |
| Changes in equity share capital during the period / year                   | -  | -             | -  | -            | -  | -             | -  | -            | -   | -            |
| Equity Shares issued during the year in consideration for cash             | -  | -             | -  | -            | 3,70,000.00                                      | 3.70          | -  | -            | -   | -            |
| Number of Shares after Sub division during the year (5 shares for 1 share) | -  | -             | -  | -            | 1,93,50,000.00                                   | 38.70         | -  | -            | -   | -            |
| Bonus Issue of shares during the period (in the Ratio of 3 :1)             | -  | -             | -  | -            | 5,80,50,000.00                                   | 116.10        | -  | -            | -   | -            |
| <b>Balance at the end of the reporting period / year</b>                   | <b>7,74,00,000</b>                                 | <b>154.80</b> | <b>35,00,000</b>                                 | <b>35.00</b> | <b>7,74,00,000</b>                               | <b>154.80</b> | <b>35,00,000</b>                               | <b>35.00</b> | <b>35,00,000</b>                                | <b>35.00</b> |

\* Number of shares are presented as absolute number.

| <b>(b) Other equity</b>   |               |         |               |
|---|---------------|---------|---------------|
| Particulars   | Amount        | Amount  | Amount        |
| <b>Balance at 1 April 2019</b>  | <b>39.52</b>  | -       | <b>39.52</b>  |
| <b>Total comprehensive income for the year ended 31 March 2020</b>                        |               |         |               |
| Profit for the year   | 97.44         | -       | <b>97.44</b>  |
| Other comprehensive income (net of tax)   | -             | -       | -             |
| - Remeasurements of defined benefit liability / (asset)                                   | (0.26)        | -       | <b>(0.26)</b> |
| - Equity instruments designated through other comprehensive income (Refer note (i) below) | -             | -       | -             |
| <b>Total comprehensive income</b>   | <b>97.18</b>  | -       | <b>97.18</b>  |
| <b>Balance at 31 March 2020</b>   | <b>136.70</b> | -       | <b>136.70</b> |
| <b>Balance at 1 April 2020</b>  | <b>136.70</b> | -       | <b>136.70</b> |
| <b>Total comprehensive income for the year ended 31 March 2021</b>                        |               |         |               |
| Profit for the year   | 295.58        | -       | 295.58        |
| Other comprehensive income (net of tax)   | -             | -       | -             |
| - Remeasurements of defined benefit liability / (asset)                                   | 0.58          | -       | 0.58          |
| <b>Total comprehensive income</b>   | <b>296.16</b> | -       | <b>296.16</b> |
| Share premium on conversion of preference shares  | -             | -       | -             |
| <b>Balance at 31 March 2021</b>   | <b>432.86</b> | -       | <b>432.86</b> |
| <b>Balance at 1 April 2021</b>  | <b>432.86</b> | -       | <b>432.86</b> |
| <b>Total comprehensive income for the year ended 31 March 2022</b>                        |               |         |               |
| Profit for the year   | 656.08        | -       | 656.08        |
| Other comprehensive income (net of tax)   | -             | -       | -             |
| - Remeasurements of defined benefit liability / (asset)                                   | (0.21)        | -       | (0.21)        |
| <b>Total comprehensive income</b>   | <b>655.87</b> | -       | <b>655.87</b> |
| Proceeds from issue of shares   | -             | 48.47   | 48.47         |
| Utilized for issue of bonus shares  | (67.63)       | (48.47) | (116.10)      |

|  |                 |   |                 |
|--|-----------------|---|-----------------|
| <b>Balance at 31 March 2022</b>                                      | <b>1,021.10</b> | - | <b>1,021.10</b> |
| <b>Balance at 1 April 2021</b>                                       | <b>432.86</b>   | - | <b>432.86</b>   |
| <b>Total comprehensive income for the Quarter ended 30 June 2021</b> |                 |   |                 |
| Profit for the year/period   | 33.45           | - | 33.45           |
| Other comprehensive income (net of tax)                              | (0.84)          |   | (0.84)          |
| - Remeasurements of defined benefit liability / (asset)              | -               | - | -               |
| <b>Total comprehensive income</b>                                    | <b>32.61</b>    | - | <b>32.61</b>    |
| Share premium on conversion of preference shares                     | -               | - | -               |
| <b>Balance at 30 June 2021</b>                                       | <b>465.47</b>   | - | <b>465.47</b>   |
| <b>Balance at 1 April 2022</b>                                       | <b>1,021.10</b> | - | <b>1,021.10</b> |
| <b>Total comprehensive income for the Quarter ended 30 June 2022</b> |                 |   |                 |
| Profit for the year/period   | 55.68           | - | 55.68           |
| Other comprehensive income (net of tax)                              |                 |   |                 |
| - Remeasurements of defined benefit liability / (asset)              | 0.26            | - | 0.26            |
| <b>Total comprehensive income</b>                                    | <b>55.94</b>    |   | <b>55.94</b>    |
| Share premium on conversion of preference shares                     | -               | - | -               |
| <b>Balance at 30 June 2022</b>                                       | <b>1,077.04</b> | - | <b>1,077.04</b> |

**Nature and purpose of reserves**

**i) Retained earnings**

Retained earnings comprises of undistributed earnings after taxes.

**ii) Securities premium**

Securities premium account is used to record the premium on issue of shares.

The above statement should be read with basis of preparation, significant accounting policies and notes forming part of the restated Financial Information.

As per our report of even date attached.

**For**  
NBS & Co.  
Chartered Accountants  
FRN : 110100W

**For and on behalf of the Board of Directors of**  
DCX Systems Limited  
(Formerly known as DCX Cable Assemblies Private Limited)  
CIN: U31908KA2011PLC061686

**Sd/-**  
**Pradeep Shetty**  
Partner  
M No: 046940  
Place: Mumbai  
Date:16-Sep-2022  
UDIN:22046940ATFRPA5750

**Sd/-**  
**H S RAGHAVENDRA RAO**  
**CHAIRMAN & MANAGING DIRECTOR**  
DIN: 00379249

**Sd/-**  
**R SANKARAKRISHNAN**  
**WHOLE TIME DIRECTOR**  
DIN: 00078459

**Sd/-**  
**K S RANGA**  
**CHIEF FINANCIAL OFFICER**  
Place: Bangalore  
Date:16-Sep-2022

**Sd/-**  
**NAGARAJ R DHAVASKAR**  
**COMPANY SECRETARY**  
Membership No. A53230

DCX SYSTEMS LIMITED (Formerly known as DCX Cable Assemblies Private Limited)

Note 1 & 2: Significant Accounting Policies and Notes to the Consolidated Restated Financial Statements

**1. Corporate Information:**

DCX Systems Limited (Formerly known as DCX Cable Assemblies Private Limited) is one of the leading Indian Defence Manufacturing player offering a full service and manufacture of Electronic Systems and cable harnesses for both International and Domestic reputed customers. The manufacturing facility is located at Plot Nos 29, 30, and 107, Hitech, Defence and Aerospace Park, Devanahalli, Bengaluru, Karnataka – 562110, India.

**2. Significant accounting policies:**

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of Preparation and Compliance:**

**a. Restatement of Financial statements:**

The restated financial statements, for the previous year viz., 31 March 2020 & 31 March 2021 were prepared based on the reaudit carried out under INDAS frame work and for the period ending 31<sup>st</sup> March 2022, 30 June 2021 & 30 June 2022 were prepared based on the audit carried out under INDAS frame work and to comply to the terms of SEBI Issue of Capital and Disclosure requirement Regulations 2018 for the purpose of public offering.

**b. Statement of compliance:**

The Financial Statements have been prepared and presented in accordance with Indian Accounting Standards (“Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. and presentation requirements of division II of schedule III to the companies Act 2013, (Ind As compliant schedule III)

**c. Functional and presentation currency:**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Indian Rupees (INR), which is Company functional and presentation currency.

**d. Basis of measurement:**

The financial statements have been prepared on a historical cost convention and on accrual basis of accounting except for (i) certain financial assets and financial liabilities that are measured at fair values at the end of each reporting period, (ii) Defined benefit plans- plan assets measured at fair value as stated in the accounting policies set out below. The financial statements are prepared on a going concern basis using the accrual concept except for the cash flow information. The accounting policies have been applied consistently over all the periods presented in these financial statements. The said accounts has been approved by the Board of Directors at their meeting held on. Historical cost is generally based on fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the



measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes in to account the characteristics of the assets or liability if market participants would take those characteristics into the account when pricing the asset or liability at the measurement date.

**e. Use of estimates, judgements and assumptions:**

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation, assumptions, uncertainty, and critical judgements in applying accounting policies that have the most significant affect on the amounts recognized in the financial statements are included in relevant notes.

**f. Estimation of uncertainty relating to COVID – 19 outbreak:**

The company has considered internal and external sources of information upto the date of approval of the financial statements in determining the impact on various elements of its financial statements. The company has used the principles of prudence in applying the judgements, estimates and assumptions including sensitivity analysis and based on the current estimates, the company has accrued its liabilities and also expects to fully recover the carrying amount of trade receivables including intangible assets, investments and derivatives if any. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

**g. Going Concern assumption:**

The management has given the significant uncertainties arising out of the various situations, as explained in the note below, assessed the cash flow projections (based on orders on hand and business forecast) and available liquidity (credit facilities sanctioned by bankers) for a period of at least 12 months from the date of this financial statements. Based on this evaluation, management believes that the company will be able to continue as a going concern in the foreseeable future and for a period of at least 12 months from the date of these financial statements. Accordingly, the financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets and classification of liabilities that might result, should the company be unable to continue as a going concern.

**h. Current and Non-current classification of assets and liabilities:**

All assets and liabilities have been classified and disclosed as current and non-current as per the companies normal operating cycle and other criteria set out in Schedule -III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization into cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of classification of assets and liabilities.

**i. Reclassification:**

No such material reclassification done during the periods.

**j. Property, Plant and Equipment:**

**Recognition and measurement:**

The Company has elected to continue with the carrying value of Property, Plant and Equipment ('PPE') recognized as of transition date measured as per the Previous GAAP and use that carrying value as its deemed cost of the PPE as on the transition date.

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price (after deducting trade discount / rebate), non-refundable import duties and taxes, cost of replacing the component parts, borrowing costs and other directly attributable cost to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Spare parts procured along with the Plant and Equipment or subsequently which meets the recognition criteria of PPE are capitalized and added to the carrying amount of such items. The carrying amount of those spare parts that are replaced are derecognized when no future economic benefits are expected from their use or upon disposal. If the cost of the replaced part is not available, the estimated cost of similar new parts is used as an indication of what the cost of the existing part was when the item was acquired.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from use. Any profit or loss arising on the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in Statement of Profit and Loss.

**Subsequent costs:**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing the property, plant and equipment are recognised in the statement of profit and loss as incurred.

**Disposal:**

An item of property, plant and equipment is derecognised upon the disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income / expenses in the statement of profit and loss.

**k. Depreciation:**

Depreciation on Property, Plant & Equipment is provided on written down value basis over the estimated economic useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 or as determined based on a technical evaluation by the company periodically. The depreciable amount of an asset is determined after deducting its residual value. Where the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, no depreciation charge is recognised till the asset's residual value decreases below the asset's carrying amount. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the intended manner. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IND AS 105 and the date that the asset is derecognized. Individual assets costing Rs.5000 or less are depreciated in full, in the year of purchase

**l. Impairment of assets:**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**m. Intangible Assets:**

**Recognition and measurement:**

Intangible assets are recognised when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually, either individually or at the cash-generating unit level.

Expenditure on Research activities is recognised in the statement of Profit and Loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to complete development and to use or sell the asset. Intangible assets which comprise of the development expenditure incurred on new product and expenditure incurred on acquisition of user licenses for computer software are recorded at their acquisition price. Subscriptions to software are treated as revenue expenses as the economic life of such software does not exceed one year.

**Subsequent measurement:**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

**Amortisation:**

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

**Disposal:**

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognized.

**n. Investments and other Financial Assets:**

**Fair Value Assessment:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of asset and liability if market participants would take those into consideration. Fair value for measurement and / or disclosure purposes in these Financial Statements is determined on such basis except for transactions in the scope of Ind AS 2, 17 and 36. Normally at initial recognition, the transaction price is the best evidence of fair value.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques those are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial assets and financial liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

**Subsequent Measurement:**

For purposes of subsequent measurement financial assets are classified in three categories:

- Financial assets measured at amortized cost
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

**Financial assets measured at amortized cost:**

Financial assets are measured at amortized cost if the financials asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financials assets are amortized using the effective interest rate ('EIR') method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognized in the Statement of Profit and Loss.

**Financial assets at fair value through OCI ('FVTOCI'):**

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, an irrevocable election is made (on an instrument-by-instrument basis) to designate investments in equity instruments other than held for trading purpose at FVTOCI. Fair value changes are recognized in the other comprehensive income ('OCI'). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the Statement of Profit And Loss. On derecognition of the financial asset other than equity instruments designated as FVTOCI, cumulative gain or loss previously recognised in OCI is reclassified to the Statement of Profit

and Loss.

**Financial assets at fair value through profit or loss ('FVTPL'):**

Any financial asset that does not meet the criteria for classification as at amortized cost or as financial assets at fair value through other comprehensive income is classified as financial assets at fair value through profit or loss. Further, financial assets at fair value through profit or loss also include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are fair valued at each reporting date with all the changes recognized in the Statement of Profit and Loss.

**Derecognition:**

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the financial asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

**Impairment of Financial Assets:**

The Company assesses impairment based on expected credit loss ('ECL') model on the following:

- Financial assets that are measured at amortised cost; and
- Financial assets measured at FVTOCI

ECL is measured through a loss allowance on a following basis:

- The 12 month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after the reporting date)
- Full life time expected credit losses (expected credit losses that result from all possible default events over the life of financial instruments)

**Financial Liabilities:**

The Company's financial liabilities include trade payable.

**A. Initial recognition and measurement:**

All financial liabilities at initial recognition are classified as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss, as appropriate. All financial liabilities classified at amortized cost are recognized initially at fair value net of directly attributable transaction costs. Any difference between the proceeds (net of transaction costs) and the fair value at initial recognition is recognised in the Statement of Profit and Loss .

**B. Subsequent measurement:**

The subsequent measurement of financial liabilities depends upon the classification as described below:-

**(i) Financial Liabilities classified as Amortised Cost:**

Financial Liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. Amortised cost is

calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Interest expense that is not capitalized as part of costs of assets is included as Finance costs in the Statement of Profit and Loss.

**(ii) Financial Liabilities classified as Fair value through profit and loss (FVTPL):**

Financial liabilities classified as FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Financial liabilities designated upon initial recognition at FVTPL only if the criteria in Ind AS 109 is satisfied.

**C. Derecognition:**

A financial liability is derecognised when the obligation under the liability is discharged / cancelled / expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss.

**D. Offsetting of financial instruments:**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Other incomes, other than interest and dividend are recognized when the same are due to be received and right to receive such other income is established.

**o. Share Capital and Share Premium:**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax from the proceeds. Par value of the equity share is recorded as share capital and the amount received in excess of the par value is classified as share premium.

**p. Dividend Distribution to equity shareholders:**

The Company recognizes a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in other equity along with any tax thereon.

**q. Cash Flows and Cash and Cash Equivalents:**

Statement of cash flows is prepared in accordance with the indirect method prescribed in the relevant IND AS. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cheques and drafts on hand, deposits held with Banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. However, Bank overdrafts are to be shown within borrowings in current liabilities in the balance sheet for the purpose of presentation.

**r. Provisions, Contingent Liabilities and Contingent Assets:**

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions are determined based on management estimate of the amount required to settle the obligation at the balance sheet date. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a standalone asset only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist when a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received from it.

Contingent liabilities are disclosed on the basis of judgment of management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

Contingent Assets are not recognized, however, disclosed in financial statement when inflow of economic benefits is probable.

**s. Revenue Recognition and Other Income:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Revenue from sale of goods is recognized, when the control is transferred to the buyer, as per the terms of the contracts and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

Export incentives under various schemes notified by the government are recognised when no significant uncertainties as to the amount of consideration that would be derived and that the Company will comply with the conditions associated with the grant and ultimate collection exist.

Interest income or expense is recognised using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:

- '- the gross carrying amount of the financial asset; or
- '- the amortised cost of the financial liability.

**t. Leases:**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract

conveys the right to control the use of an identified asset, the Company assesses whether:

'- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

'- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

'- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

# the Company has the right to operate the asset; or

# the Company designed the asset in a way that predetermines how and for what purpose it will be used.

'At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

#### **Company as a lessee:**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets re determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is



remeasured when there is change in future lease payments arising from a change in an index or rate, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leasehold land is amortised over the period of lease being 99 years remaining as on the date of purchase.

**Short-term leases and leases of low-value assets:**

The Company has elected not to recognise right-of-use assets and lease liability for the short-term leases that have lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with such leases as an expense on a straight-line basis over the lease term.

**u. Income Taxes:**

Income tax expense represents the sum of tax currently payable and deferred tax. Tax is recognized in the Statement of Profit and Loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

**Current Tax:**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income. Current tax assets and liabilities are offset only if there is a legally enforceable right to set it off the recognised amounts and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

**Deferred Tax:**

Deferred tax is provided using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the

accounting profit nor taxable profit or loss,

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses (including unabsorbed depreciation) can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in Other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly or directly in equity respectively.

**Minimum Alternate Tax (MAT):**

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the company will pay normal income tax during the specified period.

**v. Employee benefits:**

**(a) Short term employee benefits:**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Undiscounted value of benefits such as salaries, incentives, allowances and bonus are recognized in the period in which the employee renders the related service.

**(b) Long term benefits:**

**Defined Contribution Plans:**

The Company contributes to the employee's approved provident fund scheme. The Company's contribution paid/payable under the scheme is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related services.

**Defined Benefit Plans:**

Gratuity Liability is a defined benefit obligation and is provided on the basis of an actuarial valuation model made at the end of the Financial Year. At present the company is not maintaining fund with any Asset Management Company towards gratuity.

**Earned Leave:**

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. The liability toward leave encashment is provided on the basis of an actuarial valuation model made at the end of the financial year.

**w. Trade Receivables:**

Trade Receivables are the amount due from the customers for the sale of goods and services rendered in the ordinary course of business. Trade receivables are initially recognized at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognized that the fair value. The company holds trade receivables for the receipt of contractual cashflows and therefore measures them subsequently at the amortized cost using effective interest rate method. In respect of advances received from the customers, contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue where the company performs under the contract ( transfer control of the related goods or services to the customers).

**x. Trade Payables:-**

These amounts represents liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per the terms of contract with suppliers.

**y. Inventories:**

- a. Raw Materials, Work in Progress, Finished Goods, Packing Materials, Stores, Spares and Consumables are carried at the lower of cost and net realisable value. after providing cost of obsolescence.
- b. In determining the cost of Raw Materials, Packing Materials, Stores, Spares and Consumables, FIFO Method is used. Cost of Inventory comprises of all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition.
- c. Cost of Finished Goods includes the cost of Raw Materials, Packing Materials, an appropriate share of fixed and variable production overheads and other costs incurred in bringing the inventories to their present location and condition.
- d. Cost of Stock in Trade procured for specific projects is assigned by specific identification of individual costs of each item.

**z. Borrowing Costs:**

Borrowing costs directly attributable to the acquisition, construction or production of an asset, that necessarily takes substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest, exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost that an entity incurs in connection with the borrowings of the funds.

**aa. Earnings per share:**

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements and stock split in equity shares issued during the year and excluding treasury shares. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares and stock

split, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

Diluted EPS adjust the figures used in the determination of basic EPS to consider.

<sup>1</sup>- The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

<sup>1</sup>- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

**bb. Segment Reporting:**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company has identified Managing Director as Chief Operating Decision Maker.

**cc. Foreign currency transactions:**

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are generally recognized in the statement of profit and loss

**dd. Government grants and subsidies:**

Grants / subsidies that compensate the Company for expenses incurred are recognised in the Statement of Profit and Loss as other operating income on a systematic basis in the periods in which such expenses are recognised.

**ee. Recent accounting pronouncements:**

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under the Companies (Indian Accounting Standards) Rules as amended from time to time. There are no such recently issued standards or amendments to the existing standards for which the impact on the Financial Statements is required to be disclosed.

However, the Ministry of Corporate Affairs ("MCA") amended Schedule III of the Companies Act, 2013, through a notification dated March 24, 2021. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. key amendments relating to Division which related to companies whose financial statements are required to comply with companies (IND AS) rule 2015 are :

1. Balance Sheet

- a. Lease liabilities should be separately disclosed under the head "Financial Liabilities", duly distinguished as current or non current.

- b. Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
  - c. Specified format for disclosure of shareholding of promoters.
  - d. Specified format for ageing schedule of trade receivables, trade payables, capital work in progress and intangible assets under development.
  - e. If a company has not used funds for the specific purpose for it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
  - f. Specific disclosure under “ additional regulatory requirement” such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immoveable property not held in the name of the company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.,
2. Statement of Profit and Loss:
- a. Additional disclosure relating to corporate social responsibility (CSR), undisclosed income and Crypto or virtual currency specified under the head “additional information” in the notes forming part of the financial statements.

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

**2 Property, plant and equipment**

| Description                        | Owned assets |                   |                        |                        |                    |                          |                   |          |         |                    |
|------------------------------------|--------------|-------------------|------------------------|------------------------|--------------------|--------------------------|-------------------|----------|---------|--------------------|
|                                    | Computers    | Office Equipments | Furniture and Fixtures | Leasehold improvements | Tools & Equipments | Electrical Installations | Plant & Machinery | Building | Vehicle | Total Owned assets |
| <b>Gross block</b>                 |              |                   |                        |                        |                    |                          |                   |          |         |                    |
| As at 1 April 2019                 | 4.46         | 2.05              | 1.44                   | 6.14                   | 4.48               | 0.86                     | 4.29              | -        | -       | 23.72              |
| Additions                          | 0.41         | -                 | 2.05                   | 2.20                   | 0.53               | 6.11                     | 34.39             | 49.48    | 7.62    | 102.79             |
| Disposals during the period / year | -            | -                 | -                      | -                      | -                  | 2.84                     | -                 | 25.12    | -       | 27.96              |
| As at 31 March 2020                | 4.87         | 2.05              | 3.49                   | 8.34                   | 5.01               | 9.81                     | 38.68             | 74.60    | 7.62    | 154.47             |
| As at 1 April 2020                 | 4.87         | 2.05              | 3.49                   | 8.34                   | 5.01               | 9.81                     | 38.68             | 74.60    | 7.62    | 154.47             |
| Additions                          | 1.11         | 0.09              | 0.42                   | -                      | 0.10               | 0.28                     | 0.48              | 11.97    | -       | 14.45              |
| Disposals during the period / year | -            | -                 | -                      | -                      | -                  | -                        | -                 | (1.54)   | -       | (1.54)             |
| As at 31 March 2021                | 5.98         | 2.14              | 3.91                   | 8.34                   | 5.11               | 10.09                    | 39.16             | 85.03    | 7.62    | 167.38             |
| As at 1 April 2021                 | 5.98         | 2.14              | 3.91                   | 8.34                   | 5.11               | 10.09                    | 39.16             | 85.03    | 7.62    | 167.38             |
| Additions                          | 0.80         | 0.22              | 0.55                   | -                      | -                  | 0.01                     | -                 | 0.02     | 14.29   | 15.89              |
| Disposals during the period / year | -            | -                 | -                      | (8.34)                 | -                  | -                        | -                 | -        | (3.90)  | (12.24)            |
| As at 31 March 2022                | 6.78         | 2.36              | 4.46                   | (0.00)                 | 5.11               | 10.10                    | 39.16             | 85.05    | 18.01   | 171.03             |
| As at 1 April 2021                 | 5.98         | 2.14              | 3.91                   | 8.34                   | 5.11               | 10.09                    | 39.16             | 85.03    | 7.62    | 167.38             |
| Additions                          | 0.24         | -                 | -                      | -                      | -                  | -                        | -                 | -        | -       | 0.24               |
| Disposals during the period / year | -            | -                 | -                      | (8.34)                 | -                  | -                        | -                 | -        | -       | (8.34)             |
| As at 30 June 2021                 | 6.22         | 2.14              | 3.91                   | (0.00)                 | 5.11               | 10.09                    | 39.16             | 85.03    | 7.62    | 159.28             |
| As at 1 April 2022                 | 6.78         | 2.36              | 4.46                   | (0.00)                 | 5.11               | 10.10                    | 39.16             | 85.05    | 18.01   | 171.03             |
| Additions                          | 0.35         | 0.03              | 0.07                   | -                      | -                  | -                        | -                 | -        | -       | 0.45               |
| Disposals during the period / year | -            | -                 | -                      | -                      | -                  | -                        | -                 | -        | -       | -                  |
| As at 30 June 2022                 | 7.13         | 2.39              | 4.53                   | (0.00)                 | 5.11               | 10.10                    | 39.16             | 85.05    | 18.01   | 171.48             |
| <b>Accumulated depreciation</b>    |              |                   |                        |                        |                    |                          |                   |          |         |                    |
| As at 1 April 2019                 | 3.90         | 1.55              | 0.99                   | 5.83                   | 3.07               | 0.46                     | 3.35              | -        | -       | 19.15              |
| Depreciation for the period / year | 0.26         | 0.13              | 0.15                   | 2.51                   | 0.38               | 0.30                     | 3.23              | 0.60     | 0.74    | 8.30               |
| Depreciation on disposals          | -            | -                 | -                      | -                      | -                  | -                        | -                 | -        | -       | -                  |
| As at 31 March 2020                | 4.16         | 1.68              | 1.14                   | 8.34                   | 3.45               | 0.76                     | 6.58              | 0.60     | 0.74    | 27.45              |
| As at 1 April 2020                 | 4.16         | 1.68              | 1.14                   | 8.34                   | 3.45               | 0.76                     | 6.58              | 0.60     | 0.74    | 27.45              |
| Depreciation for the period / year | 0.74         | 0.10              | 0.69                   | -                      | 0.43               | 2.39                     | 9.64              | 7.67     | 2.16    | 23.82              |
| Depreciation on disposals          | -            | -                 | -                      | -                      | -                  | -                        | -                 | (0.01)   | -       | (0.01)             |
| As at 31 March 2021                | 4.90         | 1.78              | 1.83                   | 8.34                   | 3.88               | 3.15                     | 16.22             | 8.26     | 2.90    | 51.26              |
| As at 1 April 2021                 | 4.90         | 1.78              | 1.83                   | 8.34                   | 3.88               | 3.15                     | 16.22             | 8.26     | 2.90    | 51.26              |
| Depreciation for the period / year | 0.20         | 0.09              | 0.62                   | -                      | 0.32               | 1.82                     | 6.78              | 7.29     | 3.05    | 20.17              |
| Depreciation on disposals          | -            | -                 | -                      | (8.34)                 | -                  | -                        | -                 | -        | -       | (8.34)             |
| As at 31 March 2022                | 5.10         | 1.87              | 2.45                   | (0.00)                 | 4.20               | 4.97                     | 23.00             | 15.55    | 5.95    | 63.09              |
| As at 1 April 2021                 | 4.90         | 1.78              | 1.83                   | 8.34                   | 3.88               | 3.15                     | 16.22             | 8.26     | 2.90    | 51.26              |
| Depreciation for the period / year | 0.21         | 0.02              | 0.13                   | -                      | 0.08               | 0.21                     | 1.69              | 2.07     | 0.41    | 4.82               |
| Depreciation on disposals          | -            | -                 | -                      | (8.34)                 | -                  | -                        | -                 | -        | -       | (8.34)             |
| As at 30 June 2021                 | 5.11         | 1.80              | 1.96                   | (0.00)                 | 3.96               | 3.36                     | 17.91             | 10.33    | 3.31    | 47.74              |
| As at 1 April 2022                 | 5.10         | 1.87              | 2.45                   | (0.00)                 | 4.20               | 4.97                     | 23.00             | 15.55    | 5.95    | 63.09              |
| Depreciation for the period / year | 0.02         | 0.02              | 0.13                   | -                      | 0.06               | 0.34                     | 1.18              | 1.63     | 0.93    | 4.31               |
| Depreciation on disposals          | -            | -                 | -                      | -                      | -                  | -                        | -                 | -        | -       | -                  |
| As at 30 June 2022                 | 5.12         | 1.89              | 2.58                   | (0.00)                 | 4.26               | 5.31                     | 24.18             | 17.18    | 6.88    | 67.40              |
| <b>Net block</b>                   |              |                   |                        |                        |                    |                          |                   |          |         |                    |
| As At 1 April 2020                 | 0.71         | 0.37              | 2.35                   | 0.00                   | 1.56               | 9.05                     | 32.10             | 74.00    | 6.88    | 127.02             |
| As At 31 March 2021                | 1.08         | 0.36              | 2.08                   | (0.00)                 | 1.23               | 6.94                     | 22.94             | 76.78    | 4.71    | 116.12             |
| As At 31 March 2022                | 1.68         | 0.49              | 2.01                   | (0.00)                 | 0.91               | 5.13                     | 16.16             | 69.50    | 12.06   | 107.94             |
| As At 30 June 2021                 | 1.11         | 0.34              | 1.95                   | (0.00)                 | 1.15               | 6.73                     | 21.25             | 74.70    | 4.31    | 111.54             |
| As At 30 June 2022                 | 2.01         | 0.50              | 1.95                   | (0.00)                 | 0.85               | 4.79                     | 14.98             | 67.87    | 11.13   | 104.08             |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

**Title deeds of Immovable Properties**

| Descriptions  | As at<br>30 June 2022                | As at<br>30 June 2021 | As at<br>31 March 2022 | As at<br>31 March 2021 | As at<br>31 March 2020 |
|---|--------------------------------------|-----------------------|------------------------|------------------------|------------------------|
| Title deeds held in the name of   | DCX Cable Assemblies Private Limited |                       |                        |                        |                        |
| Whether title deed holder is a promoter, director or relative of promoter/ director or employee of promoter/ director | N.A.                                 |                       |                        |                        |                        |
| Reason for not being held in the name of Company  | N.A.                                 |                       |                        |                        |                        |

**3 Right-of-use assets**

| Particulars         | Gross Block            |           |                                       |  | Amortisation           |                                 |                                       |  | Net Block              |  |
|---------------------|------------------------|-----------|---------------------------------------|--|------------------------|---------------------------------|---------------------------------------|--|------------------------|--|
|                     | As at<br>01 April 2022 | Additions | Disposals during<br>the period / year | For the Quarter<br>ended<br>30 June 2022 | As at<br>01 April 2022 | Charge for the<br>period / year | Disposals during<br>the period / year | For the Quarter<br>ended<br>30 June 2022 | As at<br>01 April 2022 | For the Quarter<br>ended<br>30 June 2022 |
| Leasehold land      | 38.10                  | -         | -                                     | 38.10                                    | -                      | -                               | -                                     | -  | 38.10                  | 38.10                                    |
| Properties          | -                      | -         | -                                     | -  | -                      | -                               | -                                     | -  | -                      | -  |
| <b>Total Assets</b> | <b>38.10</b>           | <b>-</b>  | <b>-</b>                              | <b>38.10</b>                             | <b>-</b>               | <b>-</b>                        | <b>-</b>                              | <b>-</b>                                 | <b>38.10</b>           | <b>38.10</b>                             |

| Particulars         | Gross Block            |           |                                       |  | Amortisation           |                                 |                                       |  | Net Block              |  |
|---------------------|------------------------|-----------|---------------------------------------|--|------------------------|---------------------------------|---------------------------------------|--|------------------------|--|
|                     | As at<br>01 April 2021 | Additions | Disposals during<br>the period / year | For the Quarter<br>ended<br>30 June 2021 | As at<br>01 April 2021 | Charge for the<br>period / year | Disposals during<br>the period / year | For the Quarter<br>ended<br>30 June 2021 | As at<br>01 April 2021 | For the Quarter<br>ended<br>30 June 2021 |
| Leasehold land      | 38.10                  | -         | -                                     | 38.10                                    | -                      | -                               | -                                     | -  | 38.10                  | 38.10                                    |
| Properties          | -                      | -         | -                                     | -  | -                      | -                               | -                                     | -  | -                      | -  |
| <b>Total Assets</b> | <b>38.10</b>           | <b>-</b>  | <b>-</b>                              | <b>38.10</b>                             | <b>-</b>               | <b>-</b>                        | <b>-</b>                              | <b>-</b>                                 | <b>38.10</b>           | <b>38.10</b>                             |

| Particulars         | Gross Block            |           |                                       |                        | Amortisation           |                                 |                                       |                        | Net Block              |                        |
|---------------------|------------------------|-----------|---------------------------------------|------------------------|------------------------|---------------------------------|---------------------------------------|------------------------|------------------------|------------------------|
|                     | As at<br>01 April 2021 | Additions | Disposals during<br>the period / year | As at<br>31 March 2022 | As at<br>01 April 2021 | Charge for the<br>period / year | Disposals during<br>the period / year | As at<br>31 March 2022 | As at<br>01 April 2021 | As at<br>31 March 2022 |
| Leasehold land      | 38.10                  | -         | -                                     | 38.10                  | -                      | -                               | -                                     | -                      | 38.10                  | 38.10                  |
| Properties          | -                      | -         | -                                     | -                      | -                      | -                               | -                                     | -                      | -                      | -                      |
| <b>Total Assets</b> | <b>38.10</b>           | <b>-</b>  | <b>-</b>                              | <b>38.10</b>           | <b>-</b>               | <b>-</b>                        | <b>-</b>                              | <b>-</b>               | <b>38.10</b>           | <b>38.10</b>           |

| Particulars         | Gross Block            |           |                                       |                        | Amortisation           |                                 |                                       |                        | Net Block              |                        |
|---------------------|------------------------|-----------|---------------------------------------|------------------------|------------------------|---------------------------------|---------------------------------------|------------------------|------------------------|------------------------|
|                     | As at<br>01 April 2020 | Additions | Disposals during<br>the period / year | As at<br>31 March 2021 | As at<br>01 April 2020 | Charge for the<br>period / year | Disposals during<br>the period / year | As at<br>31 March 2021 | As at<br>01 April 2020 | As at<br>31 March 2021 |
| Leasehold land      | 38.10                  | -         | -                                     | 38.10                  | -                      | -                               | -                                     | -                      | 38.10                  | 38.10                  |
| Properties          | -                      | -         | -                                     | -                      | -                      | -                               | -                                     | -                      | -                      | -                      |
| <b>Total Assets</b> | <b>38.10</b>           | <b>-</b>  | <b>-</b>                              | <b>38.10</b>           | <b>-</b>               | <b>-</b>                        | <b>-</b>                              | <b>-</b>               | <b>38.10</b>           | <b>38.10</b>           |

| Particulars         | Gross Block            |           |                                       |                        | Amortisation           |                                 |                                       |                        | Net Block              |                        |
|---------------------|------------------------|-----------|---------------------------------------|------------------------|------------------------|---------------------------------|---------------------------------------|------------------------|------------------------|------------------------|
|                     | As at<br>01 April 2019 | Additions | Disposals during<br>the period / year | As at<br>31 March 2020 | As at<br>01 April 2019 | Charge for the<br>period / year | Disposals during<br>the period / year | As at<br>31 March 2020 | As at<br>01 April 2019 | As at<br>31 March 2020 |
| Leasehold land      | 38.10                  | -         | -                                     | 38.10                  | -                      | -                               | -                                     | -                      | 38.10                  | 38.10                  |
| Properties          | 21.02                  | -         | (21.02)                               | -                      | 6.35                   | 5.18                            | (11.53)                               | -                      | 14.67                  | -                      |
| <b>Total Assets</b> | <b>59.12</b>           | <b>-</b>  | <b>(21.02)</b>                        | <b>38.10</b>           | <b>6.35</b>            | <b>5.18</b>                     | <b>(11.53)</b>                        | <b>-</b>               | <b>52.77</b>           | <b>38.10</b>           |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
(All amounts in Indian Rupees Millions, unless otherwise stated)

| <b>4</b>                           | <b>Other intangible assets</b> |              |  |
|------------------------------------|--------------------------------|--------------|--|
| <b>Description</b>                 | <b>Computer Software</b>       | <b>Total</b> |  |
| <b>Gross block</b>                 |                                |              |  |
| As at 1 April 2019                 | 7.92                           | <b>7.92</b>  |  |
| Additions                          | 0.04                           | <b>0.04</b>  |  |
| Disposals during the period / year |                                |              |  |
| As at 31 March 2020                | 7.96                           | <b>7.96</b>  |  |
| As at 1 April 2020                 | 7.96                           | <b>7.96</b>  |  |
| Additions                          | 1.39                           | <b>1.39</b>  |  |
| Disposals during the period / year | -                              | -            |  |
| As at 31 March 2021                | 9.35                           | <b>9.35</b>  |  |
| As at 1 April 2021                 | 9.35                           | <b>9.35</b>  |  |
| Additions                          | 0.28                           | <b>0.28</b>  |  |
| Disposals during the period / year | -                              | -            |  |
| As at 31 March 2022                | 9.63                           | <b>9.63</b>  |  |
| As at 1 April 2021                 | 9.35                           | <b>9.35</b>  |  |
| Additions                          | -                              | -            |  |
| Disposals during the period / year | -                              | -            |  |
| As at 30 June 2021                 | 9.35                           | <b>9.35</b>  |  |
| As at 1 April 2022                 | 9.63                           | <b>9.63</b>  |  |
| Additions                          | -                              | -            |  |
| Disposals during the period / year | -                              | -            |  |
| As at 30 June 2022                 | 9.63                           | <b>9.63</b>  |  |
| <b>Amortisation</b>                |                                |              |  |
| As at 1 April 2019                 | 6.80                           | <b>6.80</b>  |  |
| Amortisation for the period / year | 0.28                           | <b>0.28</b>  |  |
| Disposal during the period / year  |                                |              |  |
| As at 31 March 2020                | 7.08                           | 7.08         |  |
| As at 1 April 2020                 | 7.08                           | <b>7.08</b>  |  |
| Amortisation for the period / year | 0.49                           | <b>0.49</b>  |  |
| Disposal during the period / year  | -                              | -            |  |
| As at 31 March 2021                | 7.57                           | 7.57         |  |
| As at 1 April 2021                 | 7.57                           | <b>7.57</b>  |  |
| Amortisation for the period / year | 1.58                           | <b>1.58</b>  |  |
| Disposal during the period / year  | -                              | -            |  |
| As at 31 March 2022                | 9.15                           | 9.15         |  |
| As at 1 April 2021                 | 7.57                           | <b>7.57</b>  |  |
| Depreciation for the period / year | 0.20                           | <b>0.20</b>  |  |
| Depreciation on disposals          |                                |              |  |
| As at 30 June 2021                 | 7.77                           | 7.77         |  |
| As at 1 April 2022                 | 9.15                           | <b>9.15</b>  |  |
| Depreciation for the period / year | 0.28                           | <b>0.28</b>  |  |
| Depreciation on disposals          |                                |              |  |
| As at 30 June 2022                 | 9.43                           | 9.43         |  |
| <b>Net block</b>                   |                                |              |  |
| <b>As at 31 March 2020</b>         | <b>0.88</b>                    | <b>0.88</b>  |  |
| <b>As at 31 March 2021</b>         | <b>1.78</b>                    | <b>1.78</b>  |  |
| <b>As at 31 March 2022</b>         | <b>0.48</b>                    | <b>0.48</b>  |  |
| <b>As at 30 June 2021</b>          | <b>1.58</b>                    | <b>1.58</b>  |  |
| <b>As at 30 June 2022</b>          | <b>0.20</b>                    | <b>0.20</b>  |  |



DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)  
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 (All amounts in Indian Rupees Millions, unless otherwise stated)

| Particulars  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| <b>5 Investments</b>   |   |   |   |   |   |
| Investment measured at cost  | -   | -   | -   | -   | -   |
| Investment in wholly owned subsidiary (unquoted investments)                                     |   | -   | -   | -   | -   |
| 1,00,000, equity shares of "Raneal Advanced Systems Private Limited " of Rs 10 Each              | 1.00  | -   | 1.00  | -   | -   |
| Less- Group Elimination  | (1.00)  | -   | (1.00)  | -   | -   |
| (a) Aggregate book value of quoted investments   | -   | -   | -   | -   | -   |
| (b) Aggregate market value of quoted investments   | -   | -   | -   | -   | -   |
| (c) Aggregate amount of unquoted investments   | -   | -   | -   | -   | -   |
| (d) Aggregate amount of impairment in value of investments                                       | -   | -   | -   | -   | -   |
| <b>6 Other non-current financial assets</b>  |   |   |   |   |   |
| Security deposits  | 0.73  | 0.73  | 0.73  | 0.74  | 4.14  |
| Other deposits   | 0.01  | -   | 0.01  | 0.05  | 0.06  |
| Fixed deposits with banks with maturity of more than 12 months (Kept as margin money with Banks) | -   | 354.43  | 2.44  | 2.31  | 2.02  |
|  | <b>0.74</b>                                     | <b>355.16</b>                                 | <b>3.18</b>                                   | <b>3.10</b>                                 | <b>6.22</b>                                 |
| <b>7 Other non-current assets</b>  |   |   |   |   |   |
| Capital advances   | 0.50  | 0.50  | 0.50  | 0.50  | 0.50  |
|  | <b>0.50</b>                                     | <b>0.50</b>                                   | <b>0.50</b>                                   | <b>0.50</b>                                 | <b>0.50</b>                                 |
| <b>8 Inventories</b><br>(valued at lower of cost and net realisable value)                       |   |   |   |   |   |
| Raw material   | 803.22  | 1,288.71                                      | 272.51  | 1,304.33                                    | 479.34                                      |
| Finished goods   | -   | -   | -   | 19.97                                       | 149.33                                      |
| Work in progress   | -   | 153.92  | -   | 692.46                                      | 143.44                                      |
|  | <b>803.22</b>                                   | <b>1,442.63</b>                               | <b>272.51</b>                                 | <b>2,016.76</b>                             | <b>772.11</b>                               |
| <b>9 Investments</b>   |   |   |   |   |   |
| A. Investments carried at fair value through profit and loss (FVTPL)                             |   |   |   |   |   |
| Investment in mutual funds - Quoted*   | -   | -   | -   | -   | 1.19  |
|  | -   | -   | -   | -   | 1.19  |
| * Details of investments in mutual funds   |   |   |   |   |   |
| 1,00,000 units of Canara Robeco Capital Protection Oriented Fund.                                | -   | -   | -   | -   | 1.19  |
| Total  | -   | -   | -   | -   | 1.19  |
| (a) Aggregate book value of quoted investments   | -   | -   | -   | -   | 1.19  |
| (b) Aggregate market value of quoted investments   | -   | -   | -   | -   | -   |
| (c) Aggregate amount of unquoted investments;  | -   | -   | -   | -   | -   |
| (d) Aggregate amount of impairment in value of investments                                       | -   | -   | -   | -   | -   |

DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)  
 Significant accounting policies and notes to restated financial information (continued)  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

| 10 | Trade receivables                        | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|----|--|---|---|---|---|---|
|    | (Unsecured)                              |   |   |   |   |   |
|    | Trade receivables considered good        | 1,084.08  | 127.36  | 694.94  | 123.14                                      | 879.71                                      |
|    | Trade receivables - credit impaired      |   |   | -   |   |   |
|    |  | 1,084.08  | 127.36  | 694.94  | 123.14                                      | 879.71                                      |
|    | Less: Allowance for doubtful receivables | -   | -   | -   | -   | -   |
|    |  | <b>1,084.08</b>                                 | <b>127.36</b>                                 | <b>694.94</b>                                 | <b>123.14</b>                               | <b>879.71</b>                               |
|    | The above amount includes :              |   |   |   |   |   |
|    | Receivable from related parties          | -   | -   | -   | -   | -   |
|    | Others                                   | 1,084.08  | 127.36  | 694.94  | 123.14                                      | 879.71                                      |
|    |  |   |   |   |   |   |
|    | Total                                    | <b>1,084.08</b>                                 | <b>127.36</b>                                 | <b>694.94</b>                                 | <b>123.14</b>                               | <b>879.71</b>                               |

For the Quarter ended 30 June 2022

| Particulars  | Outstanding for following periods from due date of Payment |                  |           |           |                   |                 |
|--|--|------------------|-----------|-----------|-------------------|-----------------|
|  | Less than 6 Months   | 6 Months- 1 Year | 1-2 Years | 2-3 Years | More than 3 Years | Total           |
| (i) Undisputed trade receivables - considered good                                 | 1,077.24   | 6.84             | -         | -         | -                 | 1,084.08        |
| (ii) Undisputed Trade Receivables - which have significant increase in Credit risk | -  | -                | -         | -         | -                 | -               |
| (iii) Undisputed Trade Receivables - credit impaired                               | -  | -                | -         | -         | -                 | -               |
| (iv) Disputed Trade Receivables - considered good                                  | -  | -                | -         | -         | -                 | -               |
| (v) Disputed Trade Receivables - which have significant increase in Credit risk    | -  | -                | -         | -         | -                 | -               |
| (vi) Disputed Trade Receivables - credit impaired                                  | -  | -                | -         | -         | -                 | -               |
|  | <b>1,077.24</b>  | <b>6.84</b>      | -         | -         | -                 | <b>1,084.08</b> |

For the Quarter ended 30 June 2021

| Particulars  | Outstanding for following periods from due date of Payment |                  |           |           |                   |               |
|--|--|------------------|-----------|-----------|-------------------|---------------|
|  | Less than 6 Months   | 6 Months- 1 Year | 1-2 Years | 2-3 Years | More than 3 Years | Total         |
| (i) Undisputed trade receivables - considered good                                 | 119.73   | 7.63             | -         | -         | -                 | 127.36        |
| (ii) Undisputed Trade Receivables - which have significant increase in Credit risk | -  | -                | -         | -         | -                 | -             |
| (iii) Undisputed Trade Receivables - credit impaired                               | -  | -                | -         | -         | -                 | -             |
| (iv) Disputed Trade Receivables - considered good                                  | -  | -                | -         | -         | -                 | -             |
| (v) Disputed Trade Receivables - which have significant increase in Credit risk    | -  | -                | -         | -         | -                 | -             |
| (vi) Disputed Trade Receivables - credit impaired                                  | -  | -                | -         | -         | -                 | -             |
|  | <b>119.73</b>  | <b>7.63</b>      | -         | -         | -                 | <b>127.36</b> |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

**Consolidated For the year ended 31 March 2022**

| Particulars  | Outstanding for following periods from due date of Payment |                 |             |           |                   |               |
|--|--|-----------------|-------------|-----------|-------------------|---------------|
|  | Less than 6 Months   | 6 Months-1 Year | 1-2 Years   | 2-3 Years | More than 3 Years | Total         |
| (i) Undisputed trade receivables - considered good                                 | 688.13   | -               | 6.81        | -         | -                 | 694.94        |
| (ii) Undisputed Trade Receivables - which have significant increase in Credit risk | -  | -               | -           | -         | -                 | -             |
| (iii) Undisputed Trade Receivables - credit impaired                               | -  | -               | -           | -         | -                 | -             |
| (iv) Disputed Trade Receivables - considered good                                  | -  | -               | -           | -         | -                 | -             |
| (v) Disputed Trade Receivables - which have significant increase in Credit risk    | -  | -               | -           | -         | -                 | -             |
| (vi) Disputed Trade Receivables - credit impaired                                  | -  | -               | -           | -         | -                 | -             |
|  | <b>688.13</b>  | <b>-</b>        | <b>6.81</b> | <b>-</b>  | <b>-</b>          | <b>694.94</b> |

**Standalone For the year ended 31 March 2021**

| Particulars  | Outstanding for following periods from due date of Payment |                 |           |           |                   |               |
|--|--|-----------------|-----------|-----------|-------------------|---------------|
|  | Less than 6 Months   | 6 Months-1 Year | 1-2 Years | 2-3 Years | More than 3 Years | Total         |
| (i) Undisputed trade receivables - considered good                                 | 9.74   | 113.40          | -         | -         | -                 | 123.14        |
| (ii) Undisputed Trade Receivables - which have significant increase in Credit risk | -  | -               | -         | -         | -                 | -             |
| (iii) Undisputed Trade Receivables - credit impaired                               | -  | -               | -         | -         | -                 | -             |
| (iv) Disputed Trade Receivables - considered good                                  | -  | -               | -         | -         | -                 | -             |
| (v) Disputed Trade Receivables - which have significant increase in Credit risk    | -  | -               | -         | -         | -                 | -             |
| (vi) Disputed Trade Receivables - credit impaired                                  | -  | -               | -         | -         | -                 | -             |
|  | <b>9.74</b>  | <b>113.40</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>          | <b>123.14</b> |

**Standalone For the Year ended 31 March 2020**

| Particulars  | Outstanding for following periods from due date of Payment |                 |           |           |                   |               |
|--|--|-----------------|-----------|-----------|-------------------|---------------|
|  | Less than 6 Months   | 6 Months-1 Year | 1-2 Years | 2-3 Years | More than 3 Years | Total         |
| (i) Undisputed trade receivables - considered good                                 | 874.94   | 4.77            | -         | -         | -                 | 879.71        |
| (ii) Undisputed Trade Receivables - which have significant increase in Credit risk | -  | -               | -         | -         | -                 | -             |
| (iii) Undisputed Trade Receivables - credit impaired                               | -  | -               | -         | -         | -                 | -             |
| (iv) Disputed Trade Receivables - considered good                                  | -  | -               | -         | -         | -                 | -             |
| (v) Disputed Trade Receivables - which have significant increase in Credit risk    | -  | -               | -         | -         | -                 | -             |
| (vi) Disputed Trade Receivables - credit impaired                                  | -  | -               | -         | -         | -                 | -             |
|  | <b>874.94</b>  | <b>4.77</b>     | <b>-</b>  | <b>-</b>  | <b>-</b>          | <b>879.71</b> |

\*The Company exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note no. 37 on financial instruments.

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
(All amounts in Indian Rupees Millions, unless otherwise stated)

|           |  | Consolidated For<br>the Quarter ended<br>30 June 2022 | Standalone For the<br>Quarter ended<br>30 June 2021 | Consolidated For the year<br>ended<br>31 March 2022 | Standalone For the<br>year ended<br>31 March 2021 | Standalone For the<br>Year ended<br>31 March 2020 |
|-----------|--|---|---|---|---|---|
| <b>11</b> | <b>Cash and cash equivalents</b>   |   |   |   |   |   |
|           | Cash in hand   | -   | -   | -   | 0.01  | -   |
|           | Balances with banks  |   |   |   |   |   |
|           | Current accounts   | 1,597.14  | 199.34  | 1,883.79  | 858.82  | 564.07  |
|           | In deposit account (the maturity of the period of which is less than 3 months)   | -   | -   | -   | -   | -   |
|           | Add : Subsidiary bank balance  | 0.06  | -   | 1.00  | -   | -   |
|           |  | <b>1,597.20</b>                                       | <b>199.34</b>                                       | <b>1,884.79</b>                                     | <b>858.83</b>                                     | <b>564.07</b>                                     |
| <b>12</b> | <b>Bank balances other than cash and cash equivalents</b>  |   |   |   |   |   |
|           | Other bank balances  |   |   |   |   |   |
|           | Deposits with original maturity of more than 3 months (Kept as margin money with Banks)  | 6,185.72  | 4,673.72  | 6,118.44  | 4,634.50  | 3,602.17  |
|           |  | <b>6,185.72</b>                                       | <b>4,673.72</b>                                     | <b>6,118.44</b>                                     | <b>4,634.50</b>                                   | <b>3,602.17</b>                                   |
| <b>13</b> | <b>Other current financial assets</b>  |   |   |   |   |   |
|           | MEIS incentive receivables   | 3.14  | 30.54   | 50.68   | 30.54   | 30.58   |
|           |  | <b>3.14</b>   | <b>30.54</b>  | <b>50.68</b>  | <b>30.54</b>                                      | <b>30.58</b>                                      |
| <b>14</b> | <b>Other current assets</b>  |   |   |   |   |   |
|           | (Unsecured, considered good)   |   |   |   |   |   |
|           | Advances to suppliers  | 164.32  | 613.52  | 170.76  | 78.62   | 951.95  |
|           | Balances with statutory/government authorities   | 18.71   | 9.62  | 13.45   | 9.04  | 5.46  |
|           | Prepaid expenses   | 15.73   | 22.92   | 14.13   | 15.40   | 4.98  |
|           | Advance salary   | 0.97  | -   | 0.93  | -   | 0.10  |
|           | Expenses Relating To Public Issue  | 58.75   | -   | 17.30   | -   | -   |
|           |  | <b>258.48</b>   | <b>646.06</b>                                       | <b>216.57</b>                                       | <b>103.06</b>                                     | <b>962.49</b>                                     |
| <b>17</b> | <b>Long Term Borrowings</b>  |   |   |   |   |   |
|           | Secured Working Capital Term Loan from Bank  | 354.40  | -   | 354.40  | -   | -   |
|           |  | <b>354.40</b>   | <b>-</b>  | <b>354.40</b>                                       | <b>-</b>  | <b>-</b>  |
|           | The Working Capital Term Loan, Loan under ECGL(Emergency Credit Line Guarantee Scheme) Interest @ 7.5% PA with a tenure of 60 to 72 Months and second Charge on movable fixed assets of the company both present and future. |   |   |   |   |   |
| <b>18</b> | <b>Provisions</b>  |   |   |   |   |   |
|           | Provision for employee benefits  |   |   |   |   |   |
|           | Leave encashment   | 6.59  | 6.87  | 3.89  | 2.81  | 2.81  |
|           | Gratuity (Refer note no. 40 for further disclosures)   | 3.83  | 3.49  | 6.49  | 5.48  | 5.40  |
|           |  | <b>10.43</b>  | <b>10.36</b>  | <b>10.38</b>  | <b>8.29</b>                                       | <b>8.21</b>                                       |

DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)  
 Significant accounting policies and notes to restated financial information (continued)  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

| 19 | Borrowings           | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|----|----------------------|---|---|---|---|---|
|    | Secured              |   |   |   |   |   |
|    | From Bank            |   |   |   |   |   |
|    | Working capital loan | 4,628.82  | 1,126.23                                      | 4,671.80                                      | 1,363.79                                    | 1339.77                                     |
|    |                      | <b>4,628.82</b>                                 | <b>1,126.23</b>                               | <b>4,671.80</b>                               | <b>1,363.79</b>                             | <b>1,339.77</b>                             |

**Terms and Conditions:**

- For working capital limits charge is created on the entire current assets and movable fixed assets of the company both present and future, personal guarantee of Managing Director, Corporate Guarantee from Associate companies .  
 -Cash Credit/Overdraft limits are payable on demand, Export credits are for a tenor of 90-270 days. Interest is payable @ LIBOR /SOFRplus 150 to 200 basis points.

| 20 | Trade payables   |                 |                 |               |                 |                 |
|----|--|-----------------|-----------------|---------------|-----------------|-----------------|
|    | Total outstanding dues of Micro Enterprises and Small Enterprises (Refer note 35)      | 597.07          | 344.67          | 452.63        | 9.96            | 2.39            |
|    | Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises | 484.10          | 658.25          | 512.50        | 1,288.03        | 1,504.60        |
|    |  | <b>1,081.17</b> | <b>1,002.92</b> | <b>965.13</b> | <b>1,297.99</b> | <b>1,506.99</b> |

**For the Quarter ended 30 June 2022**

| Particulars                 | Outstanding for following periods Particulars from due date of payment |                  |              |           |                   | Total           |
|-----------------------------|--|------------------|--------------|-----------|-------------------|-----------------|
|                             | Unbilled Dues  | Less than 1 year | 1-2 years    | 2-3 years | More than 3 years |                 |
| (i) MSME                    | -  | 597.07           | -            | -         | -                 | 597.07          |
| (ii) Others                 | -  | 469.91           | 14.19        | -         | -                 | 484.10          |
| (iii) Disputed dues - MSME  | -  | -                | -            | -         | -                 | -               |
| (iv) Disputed dues - Others | -  | -                | -            | -         | -                 | -               |
|                             | -  | <b>1,066.98</b>  | <b>14.19</b> | -         | -                 | <b>1,081.17</b> |

**For the Quarter ended 30 June 2021**

| Particulars                 | Outstanding for following periods Particulars from due date of payment |                  |           |           |                   | Total           |
|-----------------------------|--|------------------|-----------|-----------|-------------------|-----------------|
|                             | Unbilled Dues  | Less than 1 year | 1-2 years | 2-3 years | More than 3 years |                 |
| (i) MSME                    | -  | 344.67           | -         | -         | -                 | 344.67          |
| (ii) Others                 | -  | 658.25           | -         | -         | -                 | 658.25          |
| (iii) Disputed dues - MSME  | -  | -                | -         | -         | -                 | -               |
| (iv) Disputed dues - Others | -  | -                | -         | -         | -                 | -               |
|                             | -  | <b>1,002.92</b>  | -         | -         | -                 | <b>1,002.92</b> |

**Consolidated For the year ended 31 March 2022**

| Particulars                 | Outstanding for following periods Particulars from due date of payment |                  |           |           |                   | Total         |
|-----------------------------|--|------------------|-----------|-----------|-------------------|---------------|
|                             | Unbilled Dues  | Less than 1 year | 1-2 years | 2-3 years | More than 3 years |               |
| (i) MSME                    | -  | 452.63           | -         | -         | -                 | 452.63        |
| (ii) Others                 | -  | 512.50           | -         | -         | -                 | 512.50        |
| (iii) Disputed dues - MSME  | -  | -                | -         | -         | -                 | -             |
| (iv) Disputed dues - Others | -  | -                | -         | -         | -                 | -             |
|                             | -  | <b>965.13</b>    | -         | -         | -                 | <b>965.13</b> |

DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)  
 Significant accounting policies and notes to restated financial information (continued)  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

| Standalone For the year ended 31 March 2021 |  |   |   |   |   |   |
|---|--|---|---|---|---|---|
| Particulars                                 | Outstanding for following periods Particulars from due date of payment |   |   |   |   | Total                                       |
|   | Unbilled Dues  | Less than 1 year                                | 1-2 years                                     | 2-3 years                                     | More than 3 years                           |   |
| (i) MSME                                    | -  | 9.96  | -   | -   | -   | 9.96  |
| (ii) Others                                 | -  | 1,288.03  | -   | -   | -   | 1,288.03                                    |
| (iii) Disputed dues - MSME                  | -  | -   | -   | -   | -   | -   |
| (iv) Disputed dues - Others                 | -  | -   | -   | -   | -   | -   |
|   | -  | 1,297.99  | -   | -   | -   | 1,297.99                                    |
| Standalone For the Year ended 31 March 2020 |  |   |   |   |   |   |
| Particulars                                 | Outstanding for following periods Particulars from due date of payment |   |   |   |   | Total                                       |
|   | Unbilled Dues  | Less than 1 year                                | 1-2 years                                     | 2-3 years                                     | More than 3 years                           |   |
| (i) MSME                                    | -  | 2.39  | -   | -   | -   | 2.39  |
| (ii) Others                                 | -  | 1,504.60  | -   | -   | -   | 1,504.60                                    |
| (iii) Disputed dues - MSME                  | -  | -   | -   | -   | -   | -   |
| (iv) Disputed dues - Others                 | -  | -   | -   | -   | -   | -   |
|   | -  | 1,506.99  | -   | -   | -   | 1,506.99                                    |
| 21  | Other financial liabilities  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|   | Accrued expense payable  | 6.54  | 1.62  | 1.67  | 161.01                                      | 1.76  |
|   | Employee benefits payable  | 6.28  | 4.41  | 5.30  | 4.13  | 4.25  |
|   |  | 12.82   | 6.03  | 6.97  | 165.14                                      | 6.01  |
| 22  | Other current liabilities  |   |   |   |   |   |
|   | Advance received from customers  | 2,695.34  | 4,761.63                                      | 2,147.31                                      | 4,542.94                                    | 3,936.65                                    |
|   | Statutory dues payable   | 5.76  | 3.48  | 5.86  | 3.49  | 9.43  |
|   |  | 2,701.10  | 4,765.11                                      | 2,153.17                                      | 4,546.43                                    | 3,946.08                                    |
| 23  | Provisions   |   |   |   |   |   |
|   | Provision for gratuity   | 0.19  | 0.14  | 0.27  | 0.28  | 0.27  |
|   | Provision for leave encashment   | 0.28  | 0.28  | 0.17  | 0.13  | 0.13  |
|   | Provision for expenses   | 0.45  | 133.49  | -   | -   | -   |
|   |  | 0.92  | 133.91  | 0.44  | 0.41  | 0.40  |

| DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)            |  |  |  |  |  |  |
|---|--|--|--|--|--|--|
| Significant accounting policies and notes to restated financial information (continued) |  |  |  |  |  |  |
| (All amounts in Indian Rupees Millions, unless otherwise stated)                        |  |  |  |  |  |  |
| 15  | <b>Share capital</b>   |  |  |  |  |  |
|   | <b>Particulars</b>   | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
|   | <b>Authorised :</b>  |  |  |  |  |  |
|   | 125,000,000 Equity Shares of Rs 2/- Each ( 31 March 2022: 125,000,000 Equity shares of Rs.2/-each & 31 March 2020 & 31 March 2021 : 3,500,000 Equity shares of Rs.10/- each )  | 250.00   | 35.00  | 250.00   | 35.00  | 35.00  |
|   | (Note: During the FY 2021-2022 150,000 fully convertible preference shares of Rs. 100.00 each has been reclassified to 1,500,000 equity shares of Rs. 10.00 each/- vide Extra Ordinary general meeting dated 24/11/2021 and Authorized capital has been further increased by 100,000,000 equity shares of Rs 2/- each vide Extra ordinary general meeting dated 27/01/2022. With this reclassification the present authorised share capital stands to 125,000,000 equity shares of Rs. 2/- each) |  |  |  |  |  |
|   | Preference Shares (150,000 preference shares of Rs.100 each.)  | -  | 15.00  | -  | 15.00  | 15.00  |
|   | <b>TOTAL</b>   | <b>250.00</b>  | <b>50.00</b>   | <b>250.00</b>  | <b>50.00</b>                                       | <b>50.00</b>                                       |
|   | <b>Issued and subscribed and paid up:</b>  |  |  |  |  |  |
|   | <b>Equity share capital</b>  |  |  |  |  |  |
|   | 77,400,000 equity shares of Rs.2/-each ( 31 March 2022: 125,000,000 Equity shares of Rs.2/-each & 31 March 2020 & 31 March 2021: 35,00,000 equity shares of Rs.10/-each & )  | 154.80   | 35.00  | 154.80   | 35.00  | 35.00  |
|   | <b>TOTAL</b>   | <b>154.80</b>  | <b>35.00</b>   | <b>154.80</b>  | <b>35.00</b>                                       | <b>35.00</b>                                       |
|   | * Number of shares are presented as absolute number.   |  |  |  |  |  |
|   | <b>Reconciliation of number of shares outstanding at the beginning and end of the year :</b>   |  |  |  |  |  |
|   | <b>Equity share :</b>  | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
|   | Outstanding at the beginning of the year/period  | 7,74,00,000  | 35,00,000  | 35,00,000  | 35,00,000  | 35,00,000  |
|   | Equity Shares issued during the year in consideration for cash   |  |  |  |  |  |
|   | Preferential allotment ( Refer note 1 below )  |  | -  | 1,00,000   | -  | -  |
|   | Right issue ( Refer note 2 below )   |  | -  | 2,70,000   | -  | -  |
|   | <b>Total number of shares before Sub Division</b>  | <b>7,74,00,000.00</b>                                  | <b>35,00,000</b>                                     | <b>38,70,000.00</b>                                  | <b>35,00,000</b>                                   | <b>35,00,000</b>                                   |
|   | Adjustment for subdivision of shares ( Refer note 3 below )  |  | -  | 1,54,80,000  | -  | -  |
|   | Bonus Issue of shares during the year ( Refer note 5 below )   |  | -  | 5,80,50,000  | -  | -  |
|   | <b>Outstanding at the end of the year</b>  | <b>7,74,00,000.00</b>                                  | <b>35,00,000.00</b>                                  | <b>7,74,00,000.00</b>                                | <b>35,00,000.00</b>                                | <b>35,00,000.00</b>                                |
|   | * Number of shares are presented as absolute number.   |  |  |  |  |  |
|   | <b>Notes :</b>   |  |  |  |  |  |
|   | 1. Company has issued 100,000 Equity shares at face value of Rs 10/- with premium Rs. 131/- ( Total Amount Rs 14.10 Mn) on 20.01.2022 on Preferential allotment basis.   |  |  |  |  |  |
|   | 2. Company has issued 270,000 Equity Shares at face value of Rs 10/- with premium Rs. 131/- ( Total Amount Rs 38.07 Mn) on 24.01.2022 on right issue basis.  |  |  |  |  |  |
|   | 3. Company in their Board of Directors meeting dated 25.01.2022 has approved for Sub-division of its shares from the face value of Rs.10 each to face value of Rs.2 each.  |  |  |  |  |  |
|   | 4. Company in their Board of Directors meeting dated 27.01.2022 has approved for increase in Authorized Share capital from Rs.50.00 Mn to Rs. 250.00 Mn)   |  |  |  |  |  |
|   | 5. Company in their Board of Directors meeting dated 27.01.2022 has approved for issue of Bonus shares in the ratio of 3:1.  |  |  |  |  |  |

**Terms / Rights attached to each classes of shares**

**Rights, preferences and restrictions attached to equity and preference shares**

Equity shares

As to dividend The Shareholders are entitled to receive dividend in proportion to the amount of paid up equity shares held by them. The Company has not declared any dividend during the year/period.

As to repayment of capital In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining asset of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

As to voting The Company has Equity Shares of Rs. 2.00 each and each holder of the equity share is entitled to one vote per share.

**Shareholders holding more than 5% shares in the Company is set out below:**

| NAME OF THE SHARE HOLDER    | Consolidated For the Quarter ended<br>30 June 2022 |                       | Standalone For the Quarter ended<br>30 June 2021 |                       | Consolidated For the year ended<br>31 March 2022 |                       | Standalone For the year ended<br>31 March 2021 |                       | Standalone For the Year ended<br>31 March 2020 |                       |
|-----------------------------|--|-----------------------|--|-----------------------|--|-----------------------|--|-----------------------|--|-----------------------|
|                             | Equity shares of Rs 2 each fully paid              |                       | Equity shares of Rs 10 each fully paid           |                       | Equity shares of Rs 2 each fully paid            |                       | Equity shares of Rs 10 each fully paid         |                       | Equity shares of Rs 10 each fully paid         |                       |
|                             | Number of Shares*                                  | Number of Shares<br>% | Number of Shares*                                | Number of Shares<br>% | Number of Shares*                                | Number of Shares<br>% | Number of Shares*                              | Number of Shares<br>% | Number of Shares*                              | Number of Shares<br>% |
| Mr. Dinesh Poonamchand Shah | -  | 0.00%                 | 8,04,850.00                                      | 23.00%                | -  | 0.00%                 | 8,04,850.00                                    | 23.00%                | 8,04,850.00                                    | 23.00%                |
| M/s NCBG Holdings Inc       | 3,43,00,000.00                                     | 44.32%                | 9,10,000.00                                      | 26.00%                | 3,43,00,000.00                                   | 44.32%                | 9,10,000.00                                    | 26.00%                | 9,10,000.00                                    | 26.00%                |
| M/s VNG Technology Pvt Ltd  | 3,43,00,000.00                                     | 44.32%                | 17,85,000.00                                     | 51.00%                | 3,43,00,000.00                                   | 44.32%                | 17,85,000.00                                   | 51.00%                | 17,85,000.00                                   | 51.00%                |
| H S Raghavendra Rao         | 74,00,000.00                                       | 9.56%                 | -  | 0.00%                 | 74,00,000.00                                     | 9.56%                 | -  | 0.00%                 | -  | 0.00%                 |

**Promoters Shareholding in the Company is set out below:**

| NAME OF THE SHARE HOLDER     | Consolidated For the Quarter ended<br>30 June 2022 |                       | Standalone For the Quarter ended<br>30 June 2021 |                       | Consolidated For the year ended<br>31 March 2022 |                       | Standalone For the year ended<br>31 March 2021 |                       | Standalone For the Year ended<br>31 March 2020 |                       |
|------------------------------|--|-----------------------|--|-----------------------|--|-----------------------|--|-----------------------|--|-----------------------|
|                              | Equity shares of Rs 2 each fully paid              |                       | Equity shares of Rs 10 each fully paid           |                       | Equity shares of Rs 2 each fully paid            |                       | Equity shares of Rs 10 each fully paid         |                       | Equity shares of Rs 10 each fully paid         |                       |
|                              | Number of Shares*                                  | Number of Shares<br>% | Number of Shares*                                | Number of Shares<br>% | Number of Shares*                                | Number of Shares<br>% | Number of Shares*                              | Number of Shares<br>% | Number of Shares*                              | Number of Shares<br>% |
| Mr. Jyotivadan Occhaval Seth | -  | -                     | 150  | Negligible            | -  | -                     | 150  | Negligible            | 150  | Negligible            |
| Mr. Dinesh Poonamchand Shah  | -  | 0.00%                 | 8,04,850   | 23.00%                | -  | 0.00%                 | 8,04,850                                       | 23.00%                | 8,04,850                                       | 23.00%                |
| M/s NCBG Holdings Inc        | 3,43,00,000  | 44.32%                | 9,10,000   | 26.00%                | 3,43,00,000                                      | 44.32%                | 9,10,000                                       | 26.00%                | 9,10,000                                       | 26.00%                |
| M/s VNG Technology Pvt Ltd   | 3,43,00,000  | 44.32%                | 17,85,000  | 51.00%                | 3,43,00,000                                      | 44.32%                | 17,85,000                                      | 51.00%                | 17,85,000                                      | 51.00%                |
| Mr. H S Raghavendra Rao      | 74,00,000  | 9.56%                 | -  | 0.00%                 | 74,00,000  | 9.56%                 | -  | 0.00%                 | -  | 0.00%                 |

\* Number of shares are presented as absolute number.



DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)  
 Significant accounting policies and notes to restated financial information (continued)  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

| 16 | Other equity  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|----|---|---|---|---|---|---|
|    | <b>Reserves and surplus</b>   |   |   |   |   |   |
|    | <b>A. Retained earnings</b>   | 1,077.04  | 465.47  | 1,021.10                                      | 432.86                                      | 136.70                                      |
|    | <b>B. Securities premium</b>  | -   | -   | -   | -   | -   |
|    |   | <b>1,077.04</b>                                 | <b>465.47</b>                                 | <b>1,021.10</b>                               | <b>432.86</b>                               | <b>136.70</b>                               |
|    |   |   |   |   |   |   |
|    | <b>A. Retained earnings</b>   |   |   |   |   |   |
|    | Balance at the beginning of current reporting year/period           | 1,021.10  | 432.86  | 432.86  | 136.70                                      | 39.52                                       |
|    | Profit for the year/period  | 55.68   | 33.45   | 656.08  | 295.58                                      | 97.44                                       |
|    | Less: Utilized for issue of Balance Bonus Shares                    | -   | -   | (67.63)                                       | -   | -   |
|    | Other comprehensive (loss)/ income                                  | -   | -   | -   | -   | -   |
|    | -Remeasurements of defined benefit liability / (asset) (net of tax) | 0.26  | (0.84)  | (0.21)  | 0.58  | (0.26)                                      |
|    |   | <b>1,077.04</b>                                 | <b>465.47</b>                                 | <b>1,021.10</b>                               | <b>432.86</b>                               | <b>136.70</b>                               |
|    |   |   |   |   |   |   |
|    | <b>B. Securities premium</b>  |   |   |   |   |   |
|    | Opening balance   | -   | -   | -   | -   | -   |
|    | Add : Proceeds from issue of Shares                                 | -   | -   | 48.47   | -   | -   |
|    | Less : Utilized for issue of Bonus Shares                           | -   | -   | (48.47)                                       | -   | -   |
|    |   | -   | -   | -   | -   | -   |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

|   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
| <b>24 Revenue from operations</b>   |   |   |   |   |   |
| Sale of products  | 2,131.80  | 1,229.19                                      | 10,976.66                                     | 6,378.72                                    | 4,409.95                                    |
| Sale of services  | 0.74  | (0.05)  | 17.46   | 4.60  | 15.90                                       |
| Other operating revenue   |   |   |   |   |   |
| MEIS incentive received   | -   | -   | 28.61   | 28.31                                       | 66.76                                       |
|   | <b>2,132.54</b>                                 | <b>1,229.14</b>                               | <b>11,022.73</b>                              | <b>6,411.63</b>                             | <b>4,492.62</b>                             |
| <b>25 Other income</b>  |   |   |   |   |   |
| Refer note no. 41 for further disclosures.                                  |   |   |   |   |   |
| Interest on fixed deposits  | 69.90   | 57.67   | 220.24  | 223.96                                      | 146.87                                      |
| Unwinding of interest on security deposit                                   | -   | -   | -   | -   | 0.23  |
| Foreign exchange fluctuation  | -   | -   | -   | 196.05                                      | -   |
| Gain on termination of lease  | -   | -   | -   | -   | 1.66  |
| Income / (loss) arising from fair valuation of assets through profit & loss | -   | -   | -   | -   | 0.13  |
| Other income  | 0.10  | 0.05  | 0.37  | 0.78  | 10.78                                       |
|   | <b>70.00</b>                                    | <b>57.72</b>                                  | <b>220.61</b>                                 | <b>420.79</b>                               | <b>159.67</b>                               |
| <b>26 Cost of materials consumed</b>  |   |   |   |   |   |
| Opening Stock   | 272.51  | 1,304.33                                      | 1,304.33                                      | 479.34                                      | 4.13  |
| Import purchases  | 349.14  | 358.49  | 1,770.47                                      | 1,086.60                                    | 1,734.79                                    |
| Local purchases   | 2,082.84  | 209.93  | 6,491.14                                      | 6,342.74                                    | 3,052.20                                    |
| Closing Stock   | 803.22  | 1,288.71                                      | 272.51  | 1,304.33                                    | 479.34                                      |
|   | <b>1,901.27</b>                                 | <b>584.04</b>                                 | <b>9,293.43</b>                               | <b>6,604.35</b>                             | <b>4,311.78</b>                             |
| <b>27 Changes in inventories of finished goods and work-in-progress</b>     |   |   |   |   |   |
| <b>Opening inventories</b>  |   |   |   |   |   |
| Stock in trade  | -   | -   | -   | -   | 60.28                                       |
| Raw materials   | -   | -   | -   | -   | -   |
| Finished goods  | -   | 19.97   | 19.97   | 149.33                                      | -   |
| Work-in- process  | -   | 692.46  | 692.46  | 143.44                                      | -   |
| <b>Total (A)</b>  | <b>-</b>  | <b>712.43</b>                                 | <b>712.43</b>                                 | <b>292.77</b>                               | <b>60.28</b>                                |
| <b>Closing Inventories</b>  |   |   |   |   |   |
| Finished goods  | -   | -   | -   | 19.97                                       | 149.33                                      |
| Work-in- process  | -   | 153.92  | -   | 692.46                                      | 143.44                                      |
| <b>Total (B)</b>  | <b>-</b>  | <b>153.92</b>                                 | <b>-</b>                                      | <b>712.43</b>                               | <b>292.77</b>                               |
| <b>Total (A-B)</b>  | <b>-</b>  | <b>558.51</b>                                 | <b>712.43</b>                                 | <b>(419.66)</b>                             | <b>(232.49)</b>                             |
| <b>28 Employee benefit expenses</b>   |   |   |   |   |   |
| Salaries and wages including bonus, incentives                              | 22.19   | 13.38   | 76.86   | 50.92                                       | 53.10                                       |
| Staff welfare expenses  | 1.84  | 0.87  | 6.89  | 2.52  | 1.42  |
| Gratuity  | 0.43  | 0.55  | 2.48  | 1.18  | 1.10  |
| Employee Insurance  | 0.14  | 0.03  | 0.42  | 0.17  | -   |
| Induction & training programme exps   |   |   | -   | -   | 0.35  |
| Encashment of earned leave  | (0.30)  | 0.77  | -   | -   | -   |
|   | <b>24.31</b>                                    | <b>15.60</b>                                  | <b>86.65</b>                                  | <b>54.79</b>                                | <b>55.97</b>                                |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
(All amounts in Indian Rupees Millions, unless otherwise stated)

|           |   |  |  |  |  |  |
|-----------|---|--|--|--|--|--|
| <b>29</b> | <b>Finance costs</b>  |  |  |  |  |  |
|           | Interest on borrowings  | 34.95  | 4.43   | 72.40  | 47.39  | 54.98  |
|           | Interest on Working Capital Term Loan                                       | 6.75   | -  | 0.71   | -  | -  |
|           | Bank charges  | 3.08   | 2.73   | 8.06   | 9.86   | 8.05   |
|           | Unwinding of interest on lease liabilities                                  | -  | -  | -  | -  | 1.53   |
|           | Other borrowing costs   | 4.98   | 7.12   | 32.05  | 41.97  | 14.85  |
|           |   | <b>49.76</b>   | <b>14.28</b>   | <b>113.22</b>  | <b>99.22</b>                                       | <b>79.41</b>                                       |
| <b>30</b> | <b>Depreciation and amortisation expense</b>                                |  |  |  |  |  |
|           | Depreciation of property, plant and equipment (refer note 2)                | 4.31   | 4.82   | 20.17  | 23.82  | 8.30   |
|           | Amortisation of right-of-use asset (refer note 3)                           | -  | -  | -  | -  | 5.18   |
|           | Amortisation of intangible assets (refer note 4)                            | 0.28   | 0.20   | 1.58   | 0.49   | 0.28   |
|           |   | <b>4.59</b>  | <b>5.02</b>  | <b>21.75</b>   | <b>24.31</b>                                       | <b>13.76</b>                                       |
| <b>31</b> | <b>Other expenses</b>   | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
|           | <b>Manufacturing service cost expenses</b>                                  |  |  |  |  |  |
|           | Power and fuel expenses   | 0.76   | 0.27   | 2.61   | 2.31   | 1.88   |
|           | Repairs and maintenance   |  |  |  |  |  |
|           | Building  | -  | -  | 0.97   | 0.11   | 1.15   |
|           | Machinery   | 0.36   | 0.15   | 1.47   | 0.85   | 1.62   |
|           | Wages and labour charges  | 1.62   | 1.44   | 6.01   | 6.04   | 8.86   |
|           | Freight expenses  | 2.77   | 3.30   | 11.70  | 11.48  | 13.03  |
|           | Water Charges   | 0.09   | 0.14   | 0.53   | -  | -  |
|           | <b>Administrative and general expenses</b>                                  |  |  |  |  |  |
|           | Director Sitting Fees   | 0.30   | -  | 0.30   | -  | -  |
|           | Insurance   | 0.94   | 0.82   | 3.43   | 1.30   | 1.95   |
|           | Rates and taxes   | 2.76   | 0.01   | 5.33   | 3.93   | 3.51   |
|           | Net loss on foreign currency translation                                    | 124.50   | 58.97  | 168.82   | -  | 242.96   |
|           | Business promotion expenses   | 0.06   | 0.01   | 0.99   | 0.13   | 0.25   |
|           | Travelling and conveyance   | 1.58   | 0.03   | 2.63   | 0.45   | 2.91   |
|           | Professional & consultancy fees   | 12.98  | 0.85   | 36.09  | 25.32  | 9.12   |
|           | Communication expenses  | 0.13   | 0.17   | 0.53   | 0.53   | 0.50   |
|           | Printing and stationery   | 0.02   | 0.02   | 0.33   | 0.29   | 0.39   |
|           | Others expenses   | 6.23   | 5.01   | 17.84  | 17.72  | 6.62   |
|           | Loss on sale of licenses  | 2.55   | -  | -  | -  | -  |
|           | Income / (loss) arising from fair valuation of assets through profit & loss | -  | -  | -  | 0.19   | -  |
|           | Rent  | 0.07   | -  | -  | -  | -  |
|           | Remuneration to auditors  |  |  |  |  |  |
|           | Statutory audit   | 0.18   | 0.18   | 0.73   | 0.70   | 0.44   |
|           | Tax audit   | -  | -  | -  | -  | -  |
|           |   | <b>157.90</b>  | <b>71.37</b>   | <b>260.31</b>  | <b>71.35</b>                                       | <b>295.19</b>                                      |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

| <b>32 Taxes</b>   |  |  |  |  |  |
|---|--|--|--|--|--|
| <b>(a) Statement of profit or loss</b>                                |  |  |  |  |  |
| <b>Particulars</b>  | <b>Consolidated For<br/>the Quarter ended<br/>30 June 2022</b> | <b>Standalone For<br/>the Quarter<br/>ended<br/>30 June 2021</b> | <b>Consolidated For<br/>the year ended<br/>31 March 2022</b> | <b>Standalone For the<br/>year ended<br/>31 March 2021</b> | <b>Standalone For the<br/>year ended<br/>31 March 2020</b> |
| <b>Current tax:</b>   |  |  |  |  |  |
| Current income tax charge   | (11.65)  | (6.65)   | (132.02)   | (104.65)   | (37.41)  |
| Deferred tax  | (0.03)   | 0.55   | 2.59   | 2.17   | 1.24   |
| MAT Credit  | 2.65   | 1.51   | 29.96  | -  | 4.94   |
| <b>Income tax expense reported in the statement of profit or loss</b> | <b>(9.03)</b>  | <b>(4.59)</b>  | <b>(99.47)</b>   | <b>(102.48)</b>  | <b>(31.23)</b>   |
| <b>(b) Other comprehensive income (OCI)</b>                           |  |  |  |  |  |
| Taxes related to items recognised in OCI during in the period         |  |  |  |  |  |
| <b>Particulars</b>  | <b>Consolidated For<br/>the Quarter ended<br/>30 June 2022</b> | <b>Standalone For<br/>the Quarter<br/>ended<br/>30 June 2021</b> | <b>Consolidated For<br/>the year ended<br/>31 March 2022</b> | <b>Standalone For the<br/>year ended<br/>31 March 2021</b> | <b>Standalone For the<br/>year ended<br/>31 March 2020</b> |
| <b>Deferred tax</b>   |  |  |  |  |  |
| Remeasurements gains and losses on post employment benefits           | 0.06   | (0.18)   | 0.11   | (0.24)   | 0.10   |
| <b>Income tax recognised in OCI</b>                                   | <b>0.06</b>  | <b>(0.18)</b>  | <b>0.11</b>  | <b>(0.24)</b>  | <b>0.10</b>  |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**  
**Significant accounting policies and notes to restated financial information (continued)**  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

| <b>(c) Balance sheet</b>   |  |  |  |  |  |
|--|--|--|--|--|--|
| <b>Current tax liabilities</b>   |  |  |  |  |  |
| <b>Particulars</b>   | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
| Income tax (net of advance tax)  | 94.56  | 89.09  | 87.96  | 81.87  | 9.31   |
| <b>Total current tax liabilities</b>   | <b>94.56</b>   | <b>89.09</b>   | <b>87.96</b>   | <b>81.87</b>                                       | <b>9.31</b>  |
| <b>(d) Deferred tax ( liabilities ) / assets</b>   |  |  |  |  |  |
| <b>Particulars</b>   | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
| Fair valuation of Mutual funds   | -  | -  | -  | -  | (0.05)   |
| Excess of depreciation/amortisation on property plant and equipment under income tax act | 4.37   | 2.88   | 4.28   | 2.70   | 1.08   |
| Gratuity provision   | 2.24   | 2.11   | 2.36   | 1.68   | 1.58   |
| Leave encashment   | 1.37   | 0.98   | 1.42   | 0.86   | 0.82   |
| Bonus  | -  | 0.11   | -  | 0.11   | -  |
| MAT Credit   | 32.61  | 1.51   | 29.96  | -  | -  |
| <b>Net deferred tax (liability)/asset</b>  | <b>40.59</b>   | <b>7.59</b>  | <b>38.02</b>   | <b>5.35</b>  | <b>3.43</b>  |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**
**Significant accounting policies and notes to restated financial information (continued)**

(All amounts in Indian Rupees Millions, unless otherwise stated)

| 33 Earnings Per Share   |   |   |   |   |   |
|---|---|---|---|---|---|
| Particulars   | Consolidated For<br>the Quarter ended<br>30 June 2022 | Standalone For<br>the Quarter ended<br>30 June 2021 | Consolidated For the<br>year ended<br>31 March 2022 | Standalone For the<br>year ended<br>31 March 2021 | Standalone For the<br>Year ended<br>31 March 2020 |
| <b>Profits attributable to equity shareholders</b>  |   |   |   |   |   |
| Profit for the year/period  | 55.68   | 33.45   | 656.08  | 295.58  | 97.44   |
| <b>Basic Earnings Per Share</b>   |   |   |   |   |   |
| Weighted average number of equity shares outstanding during the year/period<br>(Refer Note below) | 7,74,00,000   | 35,00,000   | 7,13,80,274   | 35,00,000   | 35,00,000   |
| <b>Basic EPS (Rs.)</b>  | 0.72  | 0.48  | 9.19  | 4.22  | 1.39  |
| <b>Diluted Earnings Per Share</b>   |   |   |   |   |   |
| Profit for the year/period  | 55.68   | 33.45   | 656.08  | 295.58  | 97.44   |
| Weighted average number of equity shares outstanding during the year/period<br>(Refer Note below) | 7,74,00,000   | 35,00,000   | 7,13,80,274   | 35,00,000   | 35,00,000   |
| <b>Diluted EPS (Rs.)</b>  | 0.72  | 0.48  | 9.19  | 4.22  | 1.39  |
|   |   |   |   |   |   |
| Weighted average number of equity shares for Basic and Diluted Earnings Per Share                 | Consolidated For<br>the Quarter ended<br>30 June 2022 | Standalone For<br>the Quarter ended<br>30 June 2021 | Consolidated For the<br>year ended<br>31 March 2022 | Standalone For the<br>year ended<br>31 March 2021 | Standalone For the<br>Year ended<br>31 March 2020 |
| Balance at the beginning of the period of Rs. 2 each (Rs 10 each for Previous year)               | 7,74,00,000   | 35,00,000   | 35,00,000   | 35,00,000   | 35,00,000   |
| Issued during the period  | -   | -   | 3,70,000  | -   | -   |
| <b>Total</b>  | <b>7,74,00,000</b>                                    | <b>35,00,000</b>                                    | <b>38,70,000</b>                                    | <b>35,00,000</b>                                  | <b>35,00,000</b>                                  |
| Adjustment for subdivision of shares ( Refer note 3 Share Capital Note )                          | -   | 1,75,00,000   | 1,93,50,000   | 1,75,00,000                                       | 1,75,00,000                                       |
| Bonus Issue of shares during the year/period ( Refer note 5 Share Capital Note)                   | -   | 5,25,00,000   | 5,80,50,000   | 5,25,00,000                                       | 5,25,00,000                                       |
|   | -   | <b>7,00,00,000</b>                                  | <b>7,74,00,000</b>                                  | <b>7,00,00,000</b>                                | <b>7,00,00,000</b>                                |
| <b>Weighted average number of equity shares outstanding during the period</b>                     | <b>7,74,00,000</b>                                    | <b>7,00,00,000</b>                                  | <b>7,13,80,274</b>                                  | <b>7,00,00,000</b>                                | <b>7,00,00,000</b>                                |

\* Number of shares are presented as absolute number.

|            |  |  |  |  |  |  |
|------------|--|--|--|--|--|--|
| <b>34</b>  | <b>Contingent liabilities, contingent assets and commitments :</b>                             |  |  |  |  |  |
| <b>(a)</b> | <b>Contingent liabilities</b>  |  |  |  |  |  |
|            | <b>Particulars</b>   | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
|            | Bank guarantees  | 4,849.21   | 4,654.59   | 4,807.93   | 4,104.73   | 2,284.09   |
| <b>(b)</b> | <b>Commitments</b>   |  |  |  |  |  |
|            | <b>Particulars</b>   | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
|            | Estimated amount of contracts remaining to be executed on capital account and not provided for | -  | -  | -  | -  | -  |
|            | Total  | -  | -  | -  | -  | -  |

|           |   |  |  |  |  |  |
|-----------|---|--|--|--|--|--|
| <b>35</b> | <b>Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006</b>   |  |  |  |  |  |
|           | <b>Particulars</b>  | <b>Consolidated For the Quarter ended 30 June 2022</b> | <b>Standalone For the Quarter ended 30 June 2021</b> | <b>Consolidated For the year ended 31 March 2022</b> | <b>Standalone For the year ended 31 March 2021</b> | <b>Standalone For the Year ended 31 March 2020</b> |
|           | Principal amount remaining unpaid to any supplier as at the end of the period/year  |  |  |  |  |  |
|           | Trade payables  | 597.07   | 344.67   | 452.63   | 9.96   | 2.39   |
|           | Capital creditors   | -  | -  | -  | -  | -  |
|           | Interest due thereon remaining unpaid to any supplier as at the end of the period/year  |  |  |  |  |  |
|           | Trade payables  | -  | -  | -  | -  | -  |
|           | Capital creditors   | -  | -  | -  | -  | -  |
|           | The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act 2006   | -  | -  | -  | -  | -  |
|           | The amount of payment made to micro and small supplier beyond the appointed day during each accounting year/period.   | -  | -  | -  | -  | -  |
|           | The amount of interest due and payable for period of delay in making payment (which have been paid but beyond the appointed day during the year/period) but without adding the interest specified under MSMED Act 2006.   | -  | -  | -  | -  | -  |
|           | The amount of interest accrued and remaining unpaid at the end of the accounting year/period.   | -  | -  | -  | -  | -  |
|           | The amount of further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006. | -  | -  | -  | -  | -  |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

**36 Related Party Disclosures****(a) List of Related Parties and description of relationship:**

|    |  |  |
|----|--|--|
| 1  | Mr. H S Raghavendra Rao                    | Chairman & Managing Director                               |
| 2  | Ms.S Savitha                               | Director   |
| 3  | Mr.R.Sankarakrishnan                       | Whole Time Director  |
| 4  | Mr.Neal Jeremy Castleman                   | Director   |
| 5  | Mr.Dilip Poonam Shah                       | Director   |
| 6  | Mr. K R Premkumar                          | Director   |
| 7  | Mr. Ravikumar E                            | Director   |
| 8  | Mr.N Narendra                              | Director   |
| 9  | Mr.Vijay S Patel                           | Director   |
| 10 | Mr. Anand S                                | Key Managerial Personnel                                   |
| 11 | M/S VNG Technology Private Limited         | Associate Company (Holding company in Previous Year)       |
| 12 | M/S NCBG Holdings Inc                      | Associate Company  |
| 13 | M/S DCX Chol Enterprises Inc               | Common Directorship  |
| 14 | M/S Vinyas Innovative Technologies Pvt Ltd | Common Directorship  |
| 15 | M/S RNSE-TRONICS Pvt Ltd.,                 | Relative of the Director is one of the shareholder /member |
| 16 | M/S Raneal Technologies Pvt Ltd.,          | Associate Company  |
| 17 | M/S Raneal Advanced Systems Pvt Ltd.,      | Wholly Owned Subsidiary                                    |
| 18 | Ranga K S                                  | Key Managerial Personnel                                   |
| 19 | ShivaKumara R                              | Key Managerial Personnel                                   |
| 20 | Prasanna Kumar T S                         | Key Managerial Personnel                                   |
| 21 | Nagaraj R Dhavaskar                        | Key Managerial Personnel                                   |
| 22 | Pramod. B                                  | Key Managerial Personnel                                   |
| 23 | G S Manjunath                              | Key Managerial Personnel                                   |
| 24 | Kiran Kumar K S                            | Key Managerial Personnel                                   |
| 25 | Atul D Mutthe                              | Key Managerial Personnel                                   |
| 26 | Rajanikanth K N                            | Key Managerial Personnel                                   |

| Sl.No.             | Related parties                            | Nature of transactions   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------|--|--|---|---|---|---|---|
| <b>Purchase</b>    |  |  |   |   |   |   |   |
| 1                  | M/S DCX Chol Enterprises Inc               | Import of varieties of connectors, wires, sleeves, back shells required cable and wire harness | 3.82  | -   | 35.58   | 4.75  | 19.29                                       |
| 2                  | M/S RNSE-TRONICS Pvt Ltd                   | Purchases of Electronic components   | 555.22  | 107.79  | 2,783.82                                      | 3,293.45                                    | -   |
| 3                  | M/S Vinyas Innovative Technologies Pvt Ltd | Purchases of Printed circuit board assemblies  | -   | 12.25   | -   | 967.72                                      | 292.89                                      |
| <b>Sales</b>       |  |  |   |   |   |   |   |
| 4                  | M/S DCX Chol Enterprises Inc               | Export of Cable and wire harness assemblies  | 0.01  | -   | 0.01  | 11.94                                       | 9.68  |
| 5                  | M/S Vinyas Innovative Technologies Pvt Ltd | Sale of cable and wire harness   | -   | 0.13  | -   | 0.91  | 0.87  |
| <b>Expenditure</b> |  |  |   |   |   |   |   |
| 6                  | Mr. H.S. Raghavendra Rao                   | Salary   | 5.72  | 3.90  | 29.20   | 8.88  | 11.10                                       |
| 7                  | Mr. Anand S                                | Salary   | 0.65  | -   | 1.73  | -   | -   |
| 8                  | Mr.R.Sankarakrishnan                       | Professional Fee   | -   | -   | 1.25  | -   | -   |
| 9                  | Mr.R.Sankarakrishnan                       | Salary   | 0.84  | -   | 0.53  | -   | -   |
| 10                 | Ravi Kumar E                               | Salary   | -   | -   | -   | 3.60  | 3.27  |
| 11                 | K R Premkumar                              | Salary   | -   | -   | -   | 3.81  | 4.17  |
| 12                 | M/S DCX Chol Enterprises Inc               | Equipment lease rent provision reversed  | -   | -   | -   | -   | 10.51                                       |
| 13                 | M/S DCX Chol Enterprises Inc               | Reimbursement of expenses  | -   | -   | 1.70  | 1.71  | 3.24  |
| 14                 | M/S DCX Chol Enterprises Inc               | Equipment purchase   | -   | -   | -   | -   | 25.56                                       |
| 15                 | RANGA K S                                  | Salary   | 1.15  | -   | 1.26  | -   | -   |
| 16                 | Shiva Kumara R                             | Salary   | 1.01  | -   | 1.88  | -   | -   |
| 17                 | Prasanna Kumar T S                         | Salary   | 0.75  | -   | 2.70  | -   | -   |
| 18                 | Nagaraj R Dhavaskar                        | Salary   | 0.30  | -   | 0.35  | -   | -   |
| 19                 | Pramod. B                                  | Salary   | 0.65  | -   | 1.30  | -   | -   |
| 20                 | G S Manjunath                              | Salary   | 0.40  | -   | 1.38  | -   | -   |
| 21                 | Kiran Kumar K S                            | Salary   | 0.45  | -   | 1.40  | -   | -   |
| 22                 | Atul D Mutthe                              | Salary   | 0.27  | -   | 0.43  | -   | -   |
| 23                 | Rajanikanth K N                            | Salary   | 0.35  | -   | 1.30  | -   | -   |
| <b>TOTAL</b>       |  |  | <b>571.59</b>                                   | <b>124.07</b>                                 | <b>2,865.82</b>                               | <b>4,296.77</b>                             | <b>380.58</b>                               |



**37 Financial risk management**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is responsible for developing and monitoring the Company's risk management policies. The board regularly meets to decide its risk management activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is also assisted by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Board of directors.

The Company has exposure to the following risks arising from financial instruments:

- credit risk - see note (a) below
- liquidity risk - see note (b) below
- market risk - see note (c) below

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess impairment loss or gain. The Company uses a matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account available external and internal credit risk factors and Company's historical experience for customers.

- (i) The company has not made any provision on expected credit loss on trade receivables and other financials assets, based on the management estimates.
- (ii) Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks and financial institutions with high credit ratings assigned by domestic credit rating agencies.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's treasury department is responsible for liquidity and funding. In addition policies and procedures relating to such risks are overseen by the management.

The company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from the operations.

| Particulars                   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|-------------------------------|---|---|---|---|---|
| Total current assets (A)      | 9,931.84  | 7,119.65                                      | 9,237.93                                      | 7,766.83                                    | 6,812.32                                    |
| Total current liabilities (B) | 8,519.39  | 7,123.29                                      | 7,885.47                                      | 7,455.63                                    | 6,808.56                                    |
| <b>Working capital (A-B)</b>  | <b>1,412.45</b>                                 | <b>(3.64)</b>                                 | <b>1,352.46</b>                               | <b>311.20</b>                               | <b>3.76</b>                                 |
| <b>Current Ratio:</b>         | <b>1.17</b>                                     | <b>1.00</b>                                   | <b>1.17</b>                                   | <b>1.04</b>                                 | <b>1.00</b>                                 |

Following is the Company's exposure to financial liabilities based on the contractual maturity as at reporting date.

| Particulars       | Consolidated For the Quarter ended 30 June 2022 |                  |                  |          |
|-------------------|---|------------------|------------------|----------|
|                   | Contractual cash flows                          |                  |                  |          |
|                   | Carrying value                                  | Less than 1 year | More than 1 year | Total    |
| Borrowings        | 4,983.22  | 4,628.82         | 354.40           | 4,983.22 |
| Trade payables    | 1,081.17  | 1,066.98         | 14.19            | 1,081.17 |
| Other liabilities | 12.82   | 12.82            | -                | 12.82    |

| Particulars       | Standalone For the Quarter ended 30 June 2021 |                  |                  |          |
|-------------------|---|------------------|------------------|----------|
|                   | Contractual cash flows                        |                  |                  |          |
|                   | Carrying value                                | Less than 1 year | More than 1 year | Total    |
| Borrowings        | 1,126.23                                      | 1,126.23         | -                | 1,126.23 |
| Trade payables    | 1,002.92                                      | 1,002.92         | -                | 1,002.92 |
| Other liabilities | 6.03  | 6.03             | -                | 6.03     |

| Particulars       | Consolidated For the year ended 31 March 2022 |                  |                  |          |
|-------------------|---|------------------|------------------|----------|
|                   | Contractual cash flows                        |                  |                  |          |
|                   | Carrying value                                | Less than 1 year | More than 1 year | Total    |
| Borrowings        | 5,026.20                                      | 4,671.80         | 354.40           | 5,026.20 |
| Trade payables    | 965.13  | 965.13           | -                | 965.13   |
| Other liabilities | 6.97  | 6.97             | -                | 6.97     |

| Particulars       | Standalone For the year ended 31 March 2021 |                  |                  |          |
|-------------------|---|------------------|------------------|----------|
|                   | Contractual cash flows                      |                  |                  |          |
|                   | Carrying value                              | Less than 1 year | More than 1 year | Total    |
| Borrowings        | 1,363.79                                    | 1,363.79         | -                | 1,363.79 |
| Trade payables    | 1,297.99                                    | 1,297.99         | -                | 1,297.99 |
| Other liabilities | 165.14                                      | 165.14           | -                | 165.14   |

| Particulars       | Standalone For the Year ended 31 March 2020 |                  |                  |          |
|-------------------|---|------------------|------------------|----------|
|                   | Contractual cash flows                      |                  |                  |          |
|                   | Carrying value                              | Less than 1 year | More than 1 year | Total    |
| Borrowings        | 1,339.77                                    | 1,339.77         | -                | 1,339.77 |
| Trade payables    | 1,506.99                                    | 1,506.99         | -                | 1,506.99 |
| Other liabilities | 6.01  | 6.01             | -                | 6.01     |

(c) Market risk

Market risk is the risk that changes with market prices – such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(1) Foreign currency risk :

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Company transacts business in its functional currency (INR) and in other foreign currencies. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities, where revenue or expense is denominated in a foreign currency.

Following is outstanding foreign currency unhedged exposure :

(i) Financial assets

| Financial assets                             | Consolidated For the Quarter ended 30 June 2022 |                      | Standalone For the Quarter ended 30 June 2021 |               |
|--|---|----------------------|---|---------------|
|  | Foreign currency                                | Equivalent amount in | Foreign currency                              | Equivalent    |
| <b>Trade receivables</b>                     |   |                      |   |               |
| USD  | 13.58   | 1,072.27             | 1.62  | 120.44        |
| Euro   | -   | -                    | -   | -             |
| <b>Advance to suppliers</b>                  |   |                      |   |               |
| USD  | 1.51  | 119.09               | 7.88  | 585.79        |
| Euro   | 0.03  | 2.50                 | 0.01  | 1.12          |
| GBP  | 0.00  | 0.43                 | -   | -             |
| <b>Balance with banks - in EEFC accounts</b> | <b>16.42</b>                                    | <b>1,296.03</b>      | <b>2.50</b>                                   | <b>186.01</b> |
|  | <b>31.54</b>                                    | <b>2,490.32</b>      | <b>12.01</b>                                  | <b>893.36</b> |

| Financial assets                             | Consolidated For the year ended 31 March 2022 |                             | Standalone For the year ended 31 March 2021 |                             | Standalone For the Year ended 31 March 2020 |                      |
|--|---|-----------------------------|---|-----------------------------|---|----------------------|
|  | Foreign currency                              | Equivalent amount in rupees | Foreign currency                            | Equivalent amount in rupees | Foreign currency                            | Equivalent amount in |
| <b>Trade receivables</b>                     |   |                             |   |                             |   |                      |
| USD  | 9.03  | 684.24                      | 1.67  | 122.27                      | 11.02                                       | 830.59               |
| Euro   | -   | -                           | -   | -                           | -   | -                    |
| <b>Advance to suppliers</b>                  |   |                             |   |                             |   |                      |
| USD  | 2.11  | 159.87                      | 1.04  | 76.54                       | 12.59                                       | 949.15               |
| Euro   | 0.01  | 0.45                        | -   | -                           | -   | -                    |
| GBP  | 0.00  | 0.32                        | -   | -                           | -   | -                    |
| <b>Balance with banks - in EEFC accounts</b> | <b>19.38</b>                                  | <b>1,468.83</b>             | <b>9.93</b>                                 | <b>728.97</b>               | <b>5.37</b>                                 | <b>404.61</b>        |
|  | <b>30.53</b>                                  | <b>2,313.71</b>             | <b>12.64</b>                                | <b>927.78</b>               | <b>28.98</b>                                | <b>2,184.35</b>      |

Note: Amounts seen as (0.00) are below the disclosure threshold of the company.

(ii) Financial liabilities

| Financial liabilities                     | Consolidated For the Quarter ended 30 June 2022 |                      | Standalone For the Quarter ended 30 June 2021 |                 |
|---|---|----------------------|---|-----------------|
|   | Foreign currency                                | Equivalent amount in | Foreign currency                              | Equivalent      |
| <b>Trade payable</b>                      |   |                      |   |                 |
| USD                                       | 13.42   | 1,059.10             | 13.05   | 970.24          |
| Euro                                      | 0.14  | 11.80                | 0.15  | 13.45           |
| GBP                                       | -   | -                    | 0.00  | 0.04            |
| <b>Packing credit in foreign currency</b> | <b>58.64</b>                                    | <b>4,628.82</b>      | <b>15.08</b>                                  | <b>1,121.26</b> |
| <b>Advance from customer</b>              | <b>33.79</b>                                    | <b>2,667.33</b>      | <b>63.37</b>                                  | <b>4,710.62</b> |
|   | <b>105.99</b>                                   | <b>8,367.05</b>      | <b>91.65</b>                                  | <b>6,815.61</b> |

| Financial liabilities                     | Consolidated For the year ended<br>31 March 2022 |                             | Standalone For the year ended<br>31 March 2021 |                             | Standalone For the Year ended<br>31 March 2020 |                             |
|---|--|-----------------------------|--|-----------------------------|--|-----------------------------|
|   | Foreign currency                                 | Equivalent amount in rupees | Foreign currency                               | Equivalent amount in rupees | Foreign currency                               | Equivalent amount in rupees |
| <b>Trade payable</b>                      |  |                             |  |                             |  |                             |
| USD                                       | 12.31  | 932.78                      | 17.67  | 1,276.63                    | 19.76  | 1,489.54                    |
| Euro                                      | 0.15   | 12.77                       | -  | -                           | -  | -                           |
| GBP                                       | -  | -                           | -  | -                           | -  | -                           |
| <b>Packing credit in foreign currency</b> | 61.63  | 4,671.80                    | 18.38  | 1,352.11                    | 17.77  | 1,339.47                    |
| <b>Advance from customer</b>              | 27.95  | 2,118.96                    | 61.15  | 4,494.68                    | 51.74  | 3,900.58                    |
|   | <b>102.04</b>                                    | <b>7,736.31</b>             | <b>97.20</b>                                   | <b>7,123.42</b>             | <b>89.27</b>                                   | <b>6,729.59</b>             |

(iii) Currency wise net exposure (Financial assets - Financial liabilities)

| Currency wise net exposure (assets - liabilities) | Consolidated For the Quarter ended<br>30 June 2022 |                             | Standalone For the Quarter ended<br>30 June 2021 |                             |
|---|--|-----------------------------|--|-----------------------------|
| Particulars                                       | Foreign currency                                   | Equivalent amount in rupees | Foreign currency                                 | Equivalent amount in rupees |
| USD   | (74.33)  | (5,867.85)                  | (79.50)  | (5,909.88)                  |
| EUR   | (0.11)   | (9.29)                      | (0.14)   | (12.33)                     |
| GBP   | 0.00   | 0.43                        | (0.00)   | (0.04)                      |
| <b>Total</b>                                      | <b>(74.44)</b>                                     | <b>(5,876.71)</b>           | <b>(79.64)</b>                                   | <b>(5,922.25)</b>           |

| Currency wise net exposure (assets - liabilities) | Consolidated For the year ended<br>31 March 2022 |                             | Standalone For the year ended<br>31 March 2021 |                             | Standalone For the Year ended<br>31 March 2020 |                             |
|---|--|-----------------------------|--|-----------------------------|--|-----------------------------|
| Particulars                                       | Foreign currency                                 | Equivalent amount in rupees | Foreign currency                               | Equivalent amount in rupees | Foreign currency                               | Equivalent amount in rupees |
| USD   | (71.38)  | (5,410.60)                  | (84.56)  | (6,195.64)                  | (60.29)  | (4,545.24)                  |
| EUR   | (0.15)   | (12.32)                     | -  | -                           | (17.77)  | (1,339.47)                  |
| GBP   | 0.00   | 0.32                        | -  | -                           | (51.74)  | (3,900.58)                  |
| <b>Total</b>                                      | <b>(71.53)</b>                                   | <b>(5,422.60)</b>           | <b>(84.56)</b>                                 | <b>(6,195.64)</b>           | <b>(129.80)</b>                                | <b>(9,785.29)</b>           |

(iv) Sensitivity analysis

| Particulars  | Impact on profit/equity (1% strengthening)         |  | Impact on profit/equity (1% weakening)             |  |
|--------------|--|--|--|--|
|              | Consolidated For the Quarter ended<br>30 June 2022 | Standalone For the Quarter ended<br>30 June 2021 | Consolidated For the Quarter ended<br>30 June 2022 | Standalone For the Quarter ended<br>30 June 2021 |
| USD          | (58.68)  | (59.10)  | 58.68  | 59.10  |
| EUR          | (0.09)   | (0.12)   | 0.09   | 0.12   |
| GBP          | 0.00   | (0.00)   | (0.00)   | 0.00   |
| <b>Total</b> | <b>(58.77)</b>                                     | <b>(59.22)</b>                                   | <b>58.77</b>                                       | <b>59.22</b>                                     |

| Particulars  | Impact on profit/equity (1% strengthening)       |  |  | Impact on profit/equity (1% weakening)           |  |  |
|--------------|--|--|--|--|--|--|
|              | Consolidated For the year ended<br>31 March 2022 | Standalone For the year ended<br>31 March 2021 | Standalone For the Year ended<br>31 March 2020 | Consolidated For the year ended<br>31 March 2022 | Standalone For the year ended<br>31 March 2021 | Standalone For the Year ended<br>31 March 2020 |
| USD          | (54.11)  | (61.96)  | (97.85)  | 54.11  | 61.96  | 97.85  |
| EUR          | (0.12)   | -  | -  | 0.12   | -  | -  |
| GBP          | 0.00   | -  | -  | (0.00)   | -  | -  |
| <b>Total</b> | <b>(54.23)</b>                                   | <b>(61.96)</b>                                 | <b>(97.85)</b>                                 | <b>54.23</b>                                     | <b>61.96</b>                                   | <b>97.85</b>                                   |

(2) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates. The Company manages its interest rates by selection appropriate type of borrowings and by negotiation with the bankers.

The exposure of the borrowings (long term and short term ) to interest rate changes at the end of the reporting period are as follows:

| Particulars              | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------|---|---|---|---|---|
| Variable rate borrowings | 4,983.22  | 1,126.23                                      | 5,026.20                                      | 1,363.79                                    | 1,339.77                                    |
| Fixed rate borrowings    | -   | -   | -   | -   | -   |
| <b>Total borrowings</b>  | <b>4,983.22</b>                                 | <b>1,126.23</b>                               | <b>5,026.20</b>                               | <b>1,363.79</b>                             | <b>1,339.77</b>                             |

Sensitivity analysis

Impact on profit before tax /pre- tax equity :

| Particulars                 | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|-----------------------------|---|---|---|---|---|
| Increase by 50 basis points | (24.92)   | (5.63)  | (25.13)                                       | (6.82)                                      | (6.70)                                      |
| Decrease by 50 basis points | 24.92   | 5.63  | 25.13   | 6.82  | 6.70  |

### 38 Capital management

The Company's capital comprises equity share capital, surplus in the statement of profit and loss and other equity attributable to equity holders.

The Company's objectives when managing capital are to :

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders,
- maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital using debt-equity ratio, which is net debt divided by total equity. These ratios are illustrated below:

| Particulars  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| <b>Total liabilities</b>                                 | <b>8,884.21</b>                                 | <b>7,133.65</b>                               | <b>8,250.25</b>                               | <b>7,463.92</b>                             | <b>6,816.77</b>                             |
| <b>Less: cash and cash equivalents and bank balances</b> | <b>7,782.92</b>                                 | <b>4,873.05</b>                               | <b>8,003.23</b>                               | <b>5,493.33</b>                             | <b>4,166.24</b>                             |
| <b>Net debt</b>  | <b>1,101.29</b>                                 | <b>2,260.60</b>                               | <b>247.02</b>                                 | <b>1,970.59</b>                             | <b>2,650.53</b>                             |
| <b>Total equity</b>                                      | <b>1,231.84</b>                                 | <b>500.47</b>                                 | <b>1,175.90</b>                               | <b>467.86</b>                               | <b>171.70</b>                               |
| <b>Debt-equity ratio</b>                                 | <b>0.89</b>                                     | <b>4.52</b>                                   | <b>0.21</b>                                   | <b>4.21</b>                                 | <b>15.44</b>                                |

DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)

Significant accounting policies and notes to restated financial information (continued)

(All amounts in Millions, unless otherwise stated)

39 Fair value measurements

(a) Categories of financial instruments -

| Particulars                          | Consolidated For the Quarter ended<br>30 June 2022 |             |                 | Standalone For the Quarter ended<br>30 June 2021 |             |                 | Consolidated For the year ended<br>31 March 2022 |             |                 |
|--------------------------------------|--|-------------|-----------------|--|-------------|-----------------|--|-------------|-----------------|
|                                      | Carrying amount                                    | Fair values |                 | Carrying amount                                  | Fair values |                 | Carrying amount                                  | Fair values |                 |
|                                      |  | FVTPL       | Amortised cost  |  | FVTPL       | Amortised cost  |  | FVTPL       | Amortised cost  |
| Category                             |  | Level 1     | Level 2         |  | Level 1     | Level 2         |  | Level 1     | Level 2         |
| <b>Financial assets</b>              |  |             |                 |  |             |                 |  |             |                 |
| Investments                          | -  | -           | -               | -  | -           | -               | -  | -           | -               |
| Trade receivables                    | 1,084.08   | -           | 1,084.08        | 127.36   | -           | 127.36          | 694.94   | -           | 694.94          |
| Cash and cash equivalents            | 1,597.20   | -           | 1,597.20        | 199.34   | -           | 199.34          | 1,884.79   | -           | 1,884.79        |
| Other bank balances                  | 6,185.72   | -           | 6,185.72        | 4,673.72   | -           | 4,673.72        | 6,118.44   | -           | 6,118.44        |
| Investment in mutual funds - Quoted* | -  | -           | -               | -  | -           | -               | -  | -           | -               |
| Other financial assets               | 3.14   | -           | 3.14            | 30.54  | -           | 30.54           | 53.86  | -           | 53.86           |
| <b>Total financial assets</b>        | <b>8,870.14</b>                                    | <b>-</b>    | <b>8,870.14</b> | <b>5,030.96</b>                                  | <b>-</b>    | <b>5,030.96</b> | <b>8,752.03</b>                                  | <b>-</b>    | <b>8,752.03</b> |
| <b>Financial liabilities</b>         |  |             |                 |  |             |                 |  |             |                 |
| Borrowings                           | 4,628.82   | -           | 4,628.82        | 1,126.23   | -           | 1,126.23        | 4,671.80   | -           | 4,671.80        |
| Trade payables                       | 1,081.17   | -           | 1,081.17        | 1,002.92   | -           | 1,002.92        | 965.13   | -           | 965.13          |
| Working Capital Term Loan            | 354.40   | -           | 354.40          | -  | -           | -               | 354.40   | -           | 354.40          |
| Other financial liabilities          | 12.82  | -           | 12.82           | 6.03   | -           | 6.03            | 6.97   | -           | 6.97            |
| <b>Total financial liabilities</b>   | <b>6,077.21</b>                                    | <b>-</b>    | <b>6,077.21</b> | <b>2,135.18</b>                                  | <b>-</b>    | <b>2,135.18</b> | <b>5,998.30</b>                                  | <b>-</b>    | <b>5,998.30</b> |

| Particulars                          | Standalone For the year ended<br>31 March 2021 |             |                 | Standalone For the Year ended<br>31 March 2020 |             |                 |
|--------------------------------------|--|-------------|-----------------|--|-------------|-----------------|
|                                      | Carrying amount                                | Fair values |                 | Carrying amount                                | Fair values |                 |
|                                      |  | FVTPL       | Amortised cost  |  | FVTPL       | Amortised cost  |
| Category                             |  | Level 1     | Level 2         |  | Level 1     | Level 2         |
| <b>Financial assets</b>              |  |             |                 |  |             |                 |
| Investments                          | -  | -           | -               | -  | -           | -               |
| Trade receivables                    | 123.14   | -           | 123.14          | 879.71   | -           | 879.71          |
| Cash and cash equivalents            | 858.83   | -           | 858.83          | 564.07   | -           | 564.07          |
| Other bank balances                  | 4,634.50                                       | -           | 4,634.50        | 3,602.17                                       | -           | 3,602.17        |
| Investment in mutual funds - Quoted* | -  | -           | -               | 1.19   | 1.19        | -               |
| Other financial assets               | 33.64  | -           | 33.64           | 36.80  | -           | 36.80           |
| <b>Total financial assets</b>        | <b>5,650.11</b>                                | <b>-</b>    | <b>5,650.11</b> | <b>5,083.94</b>                                | <b>1.19</b> | <b>5,082.75</b> |
| <b>Financial liabilities</b>         |  |             |                 |  |             |                 |
| Borrowings                           | 1,363.79                                       | -           | 1,363.79        | 1,339.77                                       | -           | 1,339.77        |
| Lease liabilities                    | 1,297.99                                       | -           | 1,297.99        | 1,506.99                                       | -           | 1,506.99        |
| Trade payables                       | -  | -           | -               | -  | -           | -               |
| Other financial liabilities          | 165.14   | -           | 165.14          | 6.01   | -           | 6.01            |
| <b>Total financial liabilities</b>   | <b>2,826.92</b>                                | <b>-</b>    | <b>2,826.92</b> | <b>2,852.77</b>                                | <b>-</b>    | <b>2,852.77</b> |

(b) Fair value hierarchy:

As per Ind AS 107 "Financial Instrument: Disclosure", fair value disclosures are not required when the carrying amounts reasonably approximate the fair value. As illustrated above, all financial instruments of the company which are carried at amortized cost approximates the fair value (except for which the fair values are mentioned). Investments in mutual funds which are designated at fair value through profit and loss (FVTPL).

40 Details of employee benefits as required by Ind-AS 19 - "Employee benefits are as under":

(i) Defined contribution plan - Provident fund and other funds

The company has recognized following amounts in the profit & loss account for the year/ period:

| Particulars   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone for the year ending 31 March 2020 |
|---|---|---|---|---|--|
| <b>Provident fund</b>                                     |   |   |   |   |  |
| Employer's Contribution                                   | 1.00  | 0.80  | 3.47  | 2.63  | 2.92   |
| Administration charges                                    | 0.06  | 0.05  | 0.23  | 0.18  | 0.18   |
| Employer's Contribution to ESI (Employee State Insurance) | 0.05  | 0.06  | 0.30  | 0.22  | 0.16   |
|   | <b>1.11</b>                                     | <b>0.91</b>                                   | <b>4.00</b>                                   | <b>3.03</b>                                 | <b>3.26</b>                                  |

(ii) Defined benefit plan

- The defined benefit plan comprises gratuity, which is funded.
- Actuarial gains and losses in respect of defined benefit plans are recognized in the Other Comprehensive Income (OCI). The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. These defined benefit plans expose the Company to actuarial risks, such as longevity risk and interest rate risk.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss, the funded status and amounts recognised in balance sheet for the plan.

Changes in the present value of the defined benefit obligation are as follows :

| Particulars  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| <b>Present Value of Benefit Obligation at the Beginning of the year/period</b> | 6.76  | 5.76  | 5.76  | 5.67  | 4.42  |
| Interest cost  | 0.12  | 0.10  | 0.39  | 0.38  | 0.34  |
| Current service cost   | 0.31  | 0.27  | 1.02  | 0.80  | 0.76  |
| Benefits paid  | -   | -   | (0.74)  | (0.28)                                      | (0.22)                                      |
| Actuarial (Gains)/Losses on Obligations  | -   | -   | -   | -   | -   |
| - Due to Change in Financial Assumptions                                       | (0.46)  | 1.23  | 0.94  | -   | 0.56  |
| - Due to Change in Demographic Assumptions                                     | -   | -   | -   | -   | -   |
| - Due to Experience  | 0.14  | (0.21)  | (0.61)  | (0.81)                                      | (0.19)                                      |
| <b>Present value of obligation at the end of the period / year</b>             | <b>6.87</b>                                     | <b>7.15</b>                                   | <b>6.76</b>                                   | <b>5.76</b>                                 | <b>5.67</b>                                 |

Changes in the fair value of plan assets are as follows:

| Particulars   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
| <b>Fair value of plan assets at the beginning of the period / year</b>                |   |   |   |   |   |
| Interest income   | -   | -   | -   | -   | -   |
| Contributions   | -   | -   | 0.74  | 0.28  | 0.22  |
| Mortality charges and taxes   | -   | -   | -   | -   | -   |
| Benefits paid   | -   | -   | (0.74)  | (0.28)                                      | (0.22)                                      |
| Return on plan assets, excluding amount recognized in Interest Income - Gain / (Loss) | -   | -   | -   | -   | -   |
| <b>Fair value of Plan assets at end of the period / year</b>                          | <b>-</b>  | <b>-</b>                                      | <b>-</b>                                      | <b>-</b>                                    | <b>-</b>                                    |

Net interest cost for current period

| Particulars                                 | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
| Interest Cost                               | 0.12  | 0.10  | 0.39  | 0.38  | 0.34  |
| Interest Income                             | -   | -   | -   | -   | -   |
| <b>Net Interest Cost for Current Period</b> | <b>0.12</b>                                     | <b>0.10</b>                                   | <b>0.39</b>                                   | <b>0.38</b>                                 | <b>0.34</b>                                 |

Net employee benefit expense on account of gratuity recognised in employee benefit expenses

| Particulars                    | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------|---|---|---|---|---|
| Current service cost           | 0.31  | 0.27  | 1.02  | 0.80  | 0.76  |
| Net interest (Income)/ Expense | 0.12  | 0.10  | 0.39  | 0.38  | 0.34  |
| <b>Net benefit expense</b>     | <b>0.43</b>                                     | <b>0.37</b>                                   | <b>1.41</b>                                   | <b>1.18</b>                                 | <b>1.10</b>                                 |

Amount recognised in the statement of other comprehensive income

| Particulars   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
| Re-measurement for the year - obligation (gain) / loss  | 0.32  | (1.02)  | (0.32)  | 0.82  | 0.36  |
| Re-measurement for the year - plan assets (gain) / loss   | -   | -   | -   | -   | -   |
| <b>Total re-measurements cost / (credit) for the period / year recognised in other comprehensive income</b> | <b>0.32</b>                                     | <b>(1.02)</b>                                 | <b>(0.32)</b>                                 | <b>0.82</b>                                 | <b>0.36</b>                                 |

Net Defined Benefit Liability/(Asset) for the period / year

| Particulars  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| Defined Benefit Obligation                           | 6.87  | 7.15  | 6.76  | 5.76  | 5.67  |
| Fair value of plan assets                            | -   | -   | -   | -   | -   |
| <b>Closing net defined benefit liability/(asset)</b> | <b>6.87</b>                                     | <b>7.15</b>                                   | <b>6.76</b>                                   | <b>5.76</b>                                 | <b>5.67</b>                                 |

| Particulars        | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------|---|---|---|---|---|
| <b>Current</b>     | <b>0.28</b>                                     | <b>0.27</b>                                   | <b>0.27</b>                                   | <b>0.28</b>                                 | <b>0.27</b>                                 |
| <b>Non-Current</b> | <b>6.59</b>                                     | <b>6.88</b>                                   | <b>6.49</b>                                   | <b>5.48</b>                                 | <b>5.40</b>                                 |

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

| Particulars                             | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021       | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
|   | %   | %   | %   | %   | %   |
| Mortality table                         | 100% of IALM 2012-14                            | 100% of IALM 2012-14                          | 100% of IALM 2012-14                          | Indian Assured Lives Mortality (2006-08) Ultimate | 100% of IALM 2012-14                        |
| Discount rate                           | 7.28%   | 7.80%   | 7.28%   | 6.81%   | 6.80%                                       |
| Rate of increase in compensation levels | 10.00%  | 10.00%  | 10.00%  | 8.00%   | 8.00%                                       |
| Withdrawal rate #                       |   |   |   |   |   |
| Age up to 30 years                      | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%                                       |
| Age 31 - 40 years                       | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%                                       |
| Age 41 - 50 years                       | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%                                       |
| Age above 50 years                      | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%                                       |

A quantitative sensitivity analysis for significant assumption as at 30 June 2022 is as shown below:

| Assumptions  | Defined benefit obligation                      |                              |
|--|---|------------------------------|
|  | Consolidated For the Quarter ended 30 June 2022 |                              |
|  | Increase by 100 basis points                    | Decrease by 100 basis points |
| Delta effect of 1% change in rate of discounting       | (6.11)  | 7.81                         |
| Delta effect of 1% change in rate of salary increase   | 7.62  | (6.22)                       |
| Delta effect of 1% change in rate of employee turnover | (6.73)  | 7.06                         |

A quantitative sensitivity analysis for significant assumption as at 30 June 2021 is as shown below:

| Assumptions  | Defined benefit obligation                    |                              |
|--|---|------------------------------|
|  | Standalone For the Quarter ended 30 June 2021 |                              |
|  | Increase by 100 basis points                  | Decrease by 100 basis points |
| Delta effect of 1% change in rate of discounting       | (6.31)  | 8.19                         |
| Delta effect of 1% change in rate of salary increase   | 7.92  | (6.48)                       |
| Delta effect of 1% change in rate of employee turnover | (6.95)  | 7.39                         |

A quantitative sensitivity analysis for significant assumption as at 31 March 2022 is as shown below:

| Assumptions  | Defined benefit obligation                    |                              |
|--|---|------------------------------|
|  | Consolidated For the year ended 31 March 2022 |                              |
|  | Increase by 100 basis points                  | Decrease by 100 basis points |
| Delta effect of 1% change in rate of discounting       | (0.79)  | 0.97                         |
| Delta effect of 1% change in rate of salary increase   | 0.77  | (0.67)                       |
| Delta effect of 1% change in rate of employee turnover | (0.18)  | 0.21                         |

A quantitative sensitivity analysis for significant assumption as at 31 March 2021 is as shown below:

| Assumptions  | Defined benefit obligation                  |                              |
|--|---|------------------------------|
|  | Standalone For the year ended 31 March 2021 |                              |
|  | Increase by 100 basis points                | Decrease by 100 basis points |
| Delta effect of 1% change in rate of discounting       | (0.61)                                      | 0.74                         |
| Delta effect of 1% change in rate of salary increase   | 0.57  | (0.52)                       |
| Delta effect of 1% change in rate of employee turnover | (0.05)                                      | 0.06                         |

A quantitative sensitivity analysis for significant assumption as at March 2020 is as shown below:

| Assumptions  | Defined benefit obligation                  |                              |
|--|---|------------------------------|
|  | Standalone For the Year ended 31 March 2020 |                              |
|  | Increase by 100 basis points                | Decrease by 100 basis points |
| Delta effect of 1% change in rate of discounting       | (0.58)                                      | 0.70                         |
| Delta effect of 1% change in rate of salary increase   | 0.54  | (0.49)                       |
| Delta effect of 1% change in rate of employee turnover | (0.04)                                      | 0.05                         |

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation and aids in understanding the uncertainty of reported amounts. Sensitivity analysis is done by varying one parameter at a time and studying its impact.

#### Expected future benefit payments

The following benefit payments, for each of the next five years and the aggregate five years thereafter, are expected to be paid:

| Duration of defined benefit payments | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------------|---|---|---|---|---|
| 1st Following Year                   | 0.28  | 0.28  | 0.27  | 0.28  | 0.27  |
| 2nd Following Year                   | 0.30  | 0.29  | 0.29  | 0.29  | 0.30  |
| 3rd Following Year                   | 0.30  | 0.31  | 0.29  | 0.30  | 0.64  |
| 4th Following Year                   | 0.33  | 0.32  | 0.32  | 0.30  | 0.29  |
| 5th Following Year                   | 0.36  | 0.34  | 0.33  | 0.31  | 0.29  |
| After 5th Year                       | 23.08   | 20.91   | 21.69   | 14.60                                       | 13.68                                       |

**DCX Systems Limited (formerly known as DCX CABLE ASSEMBLIES PRIVATE LIMITED)**  
**Significant accounting policies and notes to restated financial information (continued)**  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

**Note 41: Revenue from contracts with customers**

**(a) Reconciliation of revenue recognised with the contracted price is as follows:**

| Particulars   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
| Gross Sales (Contracted Price)  | 2,132.55  | 1,229.14                                      | 10,997.82                                     | 6,394.12                                    | 4,425.86                                    |
| Reductions towards variable consideration (Discount & Delayed Delivery Charges) | -   | -   | (3.70)  | (10.80)                                     | -   |
| <b>Revenue recognised</b>   | <b>2,132.55</b>                                 | <b>1,229.14</b>                               | <b>10,994.12</b>                              | <b>6,383.32</b>                             | <b>4,425.86</b>                             |

The Company derives its revenue from contracts with customers for the transfer of goods and services at a point in time and over the period in the following major product lines. The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each reportable segment under Ind AS 108.

| Sr.No | Item description   |
|-------|--|
| 1     | Transmission receiver group modules, Missile switching units, Power supplies, filters, transmitter modules, receiver modules |
| 2     | Cable & Wire harness assemblies  |
| 3     | Electronic & Electro mechanical components   |

**(b) Recognition of revenue as per IND AS 115**

| Particulars                         | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|-------------------------------------|---|---|---|---|---|
| Revenue recognised at point in time | 2,131.80  | 1,229.19                                      | 10,976.66                                     | 6,378.72                                    | 4,410.10                                    |
| Revenue recognised over the period  | 0.74  | (0.05)  | 17.46   | 4.60  | 15.76                                       |
| <b>Total</b>                        | <b>2,132.54</b>                                 | <b>1,229.14</b>                               | <b>10,994.12</b>                              | <b>6,383.32</b>                             | <b>4,425.86</b>                             |

**(c) Revenue from products:**

| Country / Region     | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|----------------------|---|---|---|---|---|
| Exports              | 1,003.21  | 561.20  | 6,116.94                                      | 3,801.16                                    | 3,371.67                                    |
| Domestic             | 1,128.59  | 667.99  | 4,859.72                                      | 2,577.56                                    | 1,038.43                                    |
| <b>Total revenue</b> | <b>2,131.80</b>                                 | <b>1,229.19</b>                               | <b>10,976.66</b>                              | <b>6,378.72</b>                             | <b>4,410.10</b>                             |



#### **42 : Explanation of transition to Ind AS**

The restated financial information have been prepared from the consolidated audited financial statements for the period June 30, 2022 and for the year ended March 31, 2022, and from the Standalone audited financial statements for the period ended June 30, 2021 and for the year ended March 31, 2021 and March 31,2020 which are prepared in accordance with Indian Accounting Standards (Ind AS) specified under the Section 133 of the Act read with, the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other accounting principles generally accepted in India (referred to as "Ind AS"), which have been approved by the Board of Directors of the Company and on which an unmodified audit opinion was issued vide audit reports dated September 16, 2022, for consolidated audited financial statements for the period ended June 30, 2022, audit report dated July 22, 2022 for consolidated audited financials statement for the year ended March 31, 2022 and audit report dated September 16, 2021 for standalone audited financials for period ended June 30, 2021 and audit report dated Feb 15, 2022 for standalone audited financials for the year ended March 31, 2021 and March 31, 2020.

The audited financial statements of the Company as at and for the period ending March 31, 2021 March 31,2020 and March 31, 2019 was prepared in accordance with the accounting standards notified under the section 133 of the Act ("Indian GAAP"), which was audited by the previous auditors, Madhavan & Co Chartered Accountants. A Special Purpose Ind AS financial information have been prepared by making Ind AS adjustments to the audited Indian GAAP financial statements as at and for the period ended March 31, 2021 March 31, 2020 and March 31, 2019, by us, which has been audited by us and have been approved by the Board of Directors of the Company at their meeting held on 11/02/2022

In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2018 being the Company's date of transition to Ind AS.

The restated financial statements for the period mentioned above were prepared in accordance with Ind AS complying with the requirements of SEBI Circular dated March 31, 2016 and Guidance Note on Reports in Company Prospectuses issued by ICAI. For all the years the company has adopted the same accounting policy and accounting policy choices (both mandatory exceptions and optional exemptions availed as per Ind AS 101) as initially adopted on the transition date, i.e. 1 April 2018.

As per Ind AS, upon transition the Company is required to present comparative information for all the statements presented and explain the transition effects from previous GAAP to Ind AS in its first Ind AS financial statement.

#### **A. Exemptions availed**

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has elected to apply the following exemptions:

##### **1. Deemed cost : Property, plant and equipment and intangible assets**

The Company has elected to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognised in its Indian GAAP financials as deemed cost at the transition date.

##### **2. Designation of previously recognised financial instruments**

Financial assets and financial liabilities are classified at fair value based on facts and circumstances as at the date of transition to Ind AS. Financial assets and liabilities are recognised at fair value as at the date of transition to Ind AS i.e. 1 April 2018 and not from the date of initial recognition.

##### **3. Leases**

Ind AS 116 requires an entity to assess whether a contract or arrangement contains a lease. According to Ind AS 116, this assessment should be carried out at the inception of the contract or arrangement. However the Company has used Ind AS 101 exemption and assessed all arrangements based on conditions in place as the date of transition.

#### **B. Exceptions applied**

##### **1. Estimates**

The estimates at 1 April 2018 being the transition date and at 31 March 2022 are consistent with those made for the same dates in accordance with Indian GAAP. The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as at 1 April 2018, the date of transition to Ind AS and as of 31 March 2022.

##### **2. Derecognition of financial assets and liabilities**

Ind AS 101, requires first-time adopter to apply the derecognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements of Ind AS 109, retrospectively from a date of the company's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities de-recognised as a result of past transaction was obtained at the time of initial accounting of transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from date of transition to Ind AS.

##### **3. Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets, on the basis of the facts and circumstances that exist at the transition date to Ind AS.

#### **C. Explanation of transition to Ind AS**

An explanation of how the transition from Indian GAAP to Ind AS has affected the Company's financial position, financial performance and cash flow is set out in the following tables and notes that accompany the tables. The reconciliations include-

- i) Reconciliation of equity as at 1 April 2018, 31 March 2019, 31 March 2022 and 31 March 2021 ;
- ii) Reconciliation of total comprehensive income for the year ended 31 March 2019, 31 March 2020 and 31 March 2021 ;

There are no material adjustments to the cash flow statements.

DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)  
 Significant accounting policies and notes to restated financial information (continued)  
 (All amounts in Indian Rupees Millions, unless otherwise stated)

D. Statement of reconciliation of total equity and profit and loss as per previous GAAP and Ind AS

Reconciliation of total equity as at 31 March 2021, 31 March 2020, 31 March 2019 and 1 April 2018 :

| Particulars  | Note | 31 March 2021  | 31 March 2020 | 31 March 2019 | 01 Apr 2018   |
|--|------|----------------|---------------|---------------|---------------|
| <b>Equity as per Indian GAAP</b>                       |      | <b>490.40</b>  | <b>169.41</b> | <b>75.33</b>  | <b>29.33</b>  |
| <b>Adjustments to retained earnings</b>                |      |                |               |               |               |
| Fair valuation of Mutual funds - FVTPL                 | a    | -              | 0.19          | 0.06          | 0.04          |
| Leases   | b    | -              | -             | (1.01)        | -             |
| Security deposits                                      | c    | -              | -             | (0.16)        | (0.18)        |
| Deferred tax impact                                    | d    | -              | 2.10          | 0.30          | 0.04          |
| Current tax impact                                     | e    | (22.54)        | -             | -             | -             |
| <b>Total of Ind AS adjustment to retained earnings</b> |      | <b>(22.54)</b> | <b>2.29</b>   | <b>(0.81)</b> | <b>(0.10)</b> |
| <b>Equity as per Ind AS</b>                            |      | <b>467.86</b>  | <b>171.70</b> | <b>74.52</b>  | <b>29.23</b>  |

Reconciliation of total comprehensive income for the year 31 March 2021, 31 March 2020 and 31 March 2019 :

| Particulars  | Note | 31 March 2021  | 31 March 2020 | 31 March 2019 |
|--|------|----------------|---------------|---------------|
| <b>Net profit as per Indian GAAP</b>                             |      | <b>321.00</b>  | <b>94.08</b>  | <b>46.00</b>  |
| <b>Adjustments to net profit</b>                                 |      |                |               |               |
| Fair valuation of Mutual funds - FVTPL                           | a    | (0.19)         | 0.13          | 0.01          |
| Leases   | b    | -              | 1.01          | (1.01)        |
| Security deposits  | c    | -              | 0.16          | 0.03          |
| Actuarial gain/(Loss)  | f    | (0.58)         | 0.27          | 0.56          |
| Deferred tax impact  | d    | (2.10)         | 1.79          | 0.27          |
| Current tax impact   | e    | (22.55)        | -             | -             |
| <b>Total of Ind AS adjustments to net profit</b>                 |      | <b>(25.42)</b> | <b>3.36</b>   | <b>(0.14)</b> |
| <b>Net Profit as per Ind AS</b>                                  |      | <b>295.58</b>  | <b>97.44</b>  | <b>45.86</b>  |
| <b>Adjustments to other comprehensive income</b>                 |      |                |               |               |
| Actuarial gains and losses net off tax                           | f    | 0.82           | (0.37)        | (0.79)        |
| Deferred tax impact on actuarial gain/(loss)                     | d    | (0.24)         | 0.10          | 0.22          |
| <b>Total of Ind AS adjustments to other comprehensive income</b> |      | <b>0.58</b>    | <b>(0.26)</b> | <b>(0.57)</b> |
| <b>Total comprehensive income as per Ind AS</b>                  |      | <b>296.16</b>  | <b>97.18</b>  | <b>45.29</b>  |

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**

**Significant accounting policies and notes to restated financial information (continued)**

(All amounts in Indian Rupees Millions, unless otherwise stated)

**Notes to the reconciliations:**

**a) Investment in mutual funds**

Under Indian GAAP, long-term investments are valued at cost less provision for other than temporary diminution in the value of such investments. Under Ind AS, investment in mutual funds are classified as 'Fair value through profit and loss' are measured at fair value at each reporting date. The subsequent changes in the fair value of such investments are recognised in statement of profit and loss.

**b) Leases**

Under Indian GAAP, leases are required to be classify leases as finance lease and operating lease. Operating lease expenses are recognised on a straight-line basis over the lease term. Under Ind AS, a single lessee accounting model is prescribed and requires a lessee to recognize assets and liabilities for all leases with a lease term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payment. Right-of-use asset is depreciated in the statement of profit and loss over the lease term. Interest expenditure on lease liabilities is recorded using effective interest rate method.

**c) Employee benefit expenses - actuarial gains and losses and return on plan assets**

Under Indian GAAP, actuarial gains and losses and return on plan assets on post-employment defined benefit plans are recognised immediately in statement of profit and loss. Under Ind AS, remeasurements which comprise of actuarial gains and losses, return on plan assets and changes in the effect of asset ceiling, if any, with respect to post-employment defined benefit plans are recognised immediately in other comprehensive income (OCI). Further, remeasurements recognised in OCI are never reclassified to statement of profit and loss.

**d) Interest-free security deposits (Assets)**

Under Indian GAAP, security deposits are recorded at transaction value. Under Ind AS, security deposits given to lessors for leased premises have been fair valued and the difference between the fair value and the transaction value have been presented as a part of right-of-use assets. Right-of-use assets has been depreciated in the statement of profit and loss over the lease term. Interest income on security deposit is recorded using effective interest rate method.

**e) Income tax**

Under Indian GAAP, deferred taxes are recognised using income statement approach i.e. reflecting the tax effects of timing differences between accounting income and taxable income for the period. Under Ind AS, deferred taxes are recognised using balance sheet approach i.e. reflecting the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the income tax rates enacted or substantively enacted at reporting date. Further under Ind AS, income tax is recognised in the same statement in which underlying item is recorded.

**f) Prior period adjustments**

Under Indian GAAP, prior period items are included in determination of profit or loss of the period in which the item is discovered and are separately disclosed in the statement of profit and loss. Under Ind AS, material prior period items are corrected retrospectively by restating the comparative amounts for prior period presented in which the error occurred or if the error occurred before the earliest period presented by restating the opening balance sheet.

43 Ratios as per the Schedule III requirements

(a) Current Ratio = Current Assets divided by Current Liabilities

| Particulars                          | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------------|---|---|---|---|---|
| Current Assets                       | 9,931.84  | 7,119.65                                      | 9,237.93                                      | 7,766.83                                    | 6,812.32                                    |
| Current Liabilities                  | 8,519.39  | 7,123.29                                      | 7,885.47                                      | 7,455.63                                    | 6,808.56                                    |
| <b>Ratio (Times)</b>                 | <b>1.17</b>                                     | <b>1.00</b>                                   | <b>1.17</b>                                   | <b>1.04</b>                                 | <b>1.00</b>                                 |
| % Change from previous period / year | 16.64%  |   | 12.46%  | 4.12%                                       | 0.11%                                       |

(b) Debt Equity ratio = Total debt divided by Total equity where total debt refers to sum of current & non current borrowings

| Particulars                          | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------------|---|---|---|---|---|
| Total Debt                           | 4,983.22  | 1,126.23                                      | 5,026.20                                      | 1,363.79                                    | 1,339.77                                    |
| Total Equity                         | 1,231.84  | 500.47  | 1,175.90                                      | 467.86                                      | 171.70                                      |
| <b>Ratio (Times)</b>                 | <b>4.05</b>                                     | <b>2.25</b>                                   | <b>4.27</b>                                   | <b>2.91</b>                                 | <b>7.80</b>                                 |
| % Change from previous period / year | -79.77%   |   | -46.64%                                       | 62.64%                                      | 46.63%                                      |

Note: Year on year the profitability of the company is increasing more than the increase in debt hence the ratio is reducing YOY.

(c) Debt Service Coverage Ratio (DSCR) = Earnings available for debt services divided by Total interest and principal repayments

| Particulars   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
| Profit for the year/period                            | 55.68   |   | 656.08  |   |   |
| Add: Non cash operating expenses and finance cost     |   |   |   |   |   |
| Depreciation and amortisation expense                 | 4.59  |   | 21.75   |   |   |
| Finance costs   | 6.75  |   | 0.71  |   |   |
| Earnings available for debt services                  | <b>67.02</b>                                    | NA  | <b>678.54</b>                                 | NA  | NA  |
| Interest cost on borrowings                           | 6.75  |   | 0.71  |   |   |
| Principal repayments (including certain prepayments ) | -   |   | -   |   |   |
| Total interest and principal repayments               | <b>6.75</b>                                     |   | <b>0.7137</b>                                 |   |   |
| <b>Ratio (Times)</b>                                  | <b>9.93</b>                                     |   | <b>950.70</b>                                 |   |   |
| % Change from previous period / year                  |   |   |   |   |   |

(d) Return on Equity Ratio / Return on Investment Ratio = Net profit after tax divided by Equity

| Particulars                          | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------------|---|---|---|---|---|
| Profit for the year/period           | 55.68   | 33.45   | 656.08  | 295.58                                      | 97.44                                       |
| Total Equity                         | 1,231.84  | 500.47  | 1,175.90                                      | 467.86                                      | 171.70                                      |
| <b>Ratio</b>                         | <b>4.52%</b>                                    | <b>6.68%</b>                                  | <b>55.79%</b>                                 | <b>63.18%</b>                               | <b>56.75%</b>                               |
| % Change from previous period / year | -32.37%   |   | -11.69%                                       | 11.33%                                      | -7.79%                                      |

Profit for the year has not increased in proportion to increase in total equity.

(e) Inventory Turnover Ratio = Cost of Material Consumed plus Changes in Inventory divided by closing Inventory

| Particulars   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|---|---|---|---|---|---|
| Cost of materials consumed plus change in inventory | 1,901.27  | 1,142.55                                      | 10,005.85                                     | 6,184.69                                    | 4,079.29                                    |
| Closing inventory                                   | 803.22  | 1,442.63                                      | 272.51  | 2,016.76                                    | 772.11                                      |
| <b>Inventory Turnover Ratio</b>                     | <b>2.37</b>                                     | <b>0.79</b>                                   | <b>36.72</b>                                  | <b>3.07</b>                                 | <b>5.28</b>                                 |
| % Change from previous period / year                | 198.87%   |   | 1097.32%                                      | -41.96%                                     | -87.87%                                     |

When compared to the previous year, the company has converted all the inventory into sales. Hence the inventory turnover ratio has increased

(f) Trade Receivables Turnover ratio = Credit sales divided by Closing Trade Receivables

| Particulars                            | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| Credit Sales                           | 2,132.54  | 1,229.14                                      | 10,994.12                                     | 6,383.32                                    | 4,425.86                                    |
| Closing Trade Receivables              | 1,084.08  | 127.36  | 694.94  | 123.14                                      | 879.71                                      |
| <b>Trade Receivable Turnover Ratio</b> | <b>1.97</b>                                     | <b>9.65</b>                                   | <b>15.82</b>                                  | <b>51.84</b>                                | <b>5.03</b>                                 |
| <b>Ratio (Days)</b>                    | <b>45.75</b>                                    | <b>9.33</b>                                   | <b>23.07</b>                                  | <b>7.04</b>                                 | <b>72.55</b>                                |
| % Change from previous period / year   | -390.59%  |   | -227.67%                                      | 90.29%                                      | -41.60%                                     |

(g) Trade payables turnover ratio = Cost of material consumed divided by closing trade payables

| Particulars                          | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------------|---|---|---|---|---|
| Cost of material consumed            | 1,901.27  | 584.04  | 9,293.43                                      | 6,604.35                                    | 4,311.78                                    |
| Closing trade payables               | 1,081.17  | 1,002.92                                      | 965.13  | 1,297.99                                    | 1,506.99                                    |
| <b>Trade Payables Turnover Ratio</b> | <b>1.76</b>                                     | <b>0.58</b>                                   | <b>9.63</b>                                   | <b>5.09</b>                                 | <b>2.86</b>                                 |
| <b>Ratio (Days)</b>                  | <b>51.18</b>                                    | <b>154.55</b>                                 | <b>37.91</b>                                  | <b>71.74</b>                                | <b>127.57</b>                               |
| % Change from previous period / year | -66.88%   |   | -47.16%                                       | -43.77%                                     |   |

Terms of payments to major creditors are on advance basis and hence there the turnover ration has increased

(h) Net capital Turnover Ratio = Revenue from Operations divided by Net Working capital whereas net working capital= current assets - current liabilities

| Particulars                          | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------------|---|---|---|---|---|
| Revenue from operations              | 2,132.54  | 1,229.14                                      | 11,022.73                                     | 6,411.63                                    | 4,492.62                                    |
| Net Working Capital                  | 6,041.27  | 1,122.58                                      | 6,024.26                                      | 1,674.99                                    | 1,343.53                                    |
| <b>Ratio (Times)</b>                 | <b>0.35</b>                                     | <b>1.09</b>                                   | <b>1.83</b>                                   | <b>3.83</b>                                 | <b>3.34</b>                                 |
| % Change from previous period / year | -67.76%   |   | -52.20%                                       | 14.47%                                      | 21.22%                                      |

The ratio has reduced due to increase in working capital requirement

(i) Net profit ratio = Net profit after tax divided by Revenue from operations.

| Particulars                          | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------------------------------------|---|---|---|---|---|
| Profit for the year/period           | 55.68   | 33.45   | 656.08  | 295.58                                      | 97.44                                       |
| Revenue from operations              | 2,132.54  | 1,229.14                                      | 11,022.73                                     | 6,411.63                                    | 4,492.62                                    |
| <b>Ratio (%)</b>                     | <b>2.61</b>                                     | <b>2.72</b>                                   | <b>5.95</b>                                   | <b>4.61</b>                                 | <b>2.17</b>                                 |
| % Change from previous period / year | -4.06%  |   | 29.11%  | 112.56%                                     | 41.82%                                      |

(j) Return on Capital employed (ROCE) = (EBIT) divided by Capital Employed

| Particulars  | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--|---|---|---|---|---|
| Profit/(Loss) Before Tax (A)                             | 64.71   | 38.04   | 755.55  | 398.05                                      | 128.67                                      |
| Forex Loss (B)   | 124.50  | 58.97   | 168.82  | -   | 242.96                                      |
| Other Income ( C )                                       | 70.00   | 57.72   | 220.61  | 420.79                                      | 159.67                                      |
| Finance Costs* (D)                                       | 49.76   | 14.28   | 113.22  | 99.22                                       | 79.41                                       |
| <b>Net Income before Interest (D) = (A)+(B)-(C) +(D)</b> | <b>168.97</b>                                   | <b>53.58</b>                                  | <b>816.98</b>                                 | <b>76.49</b>                                | <b>291.37</b>                               |
| Total Assets (E)   | 10,116.05                                       | 7,634.12                                      | 9,426.15                                      | 7,931.78                                    | 6,988.47                                    |
| Current Liabilities (F)                                  | 3,890.57  | 5,997.06                                      | 3,213.68                                      | 6,091.84                                    | 5,468.79                                    |
| Current Investments (G)                                  | -   | -   | -   | -   | 1.19  |
| <b>Capital Employed (H)=(E)-(F)-(G)</b>                  | <b>6,225.49</b>                                 | <b>1,637.06</b>                               | <b>6,212.47</b>                               | <b>1,839.94</b>                             | <b>1,518.49</b>                             |
| <b>Ratio (D)/(H) (%)</b>                                 | <b>2.71%</b>                                    | <b>3.27%</b>                                  | <b>13.15%</b>                                 | <b>4.16%</b>                                | <b>19.19%</b>                               |
| Change in basis points (bps) from previous period / year | -97.29%   |   | 86.85%  | -78.33%                                     | 120.92%                                     |

Note: The company was able generate higher turnover as well as profitability with minimum capital employed. In other words the proportionate increase in capital employed is lower when compared to increase in turnover and profitability

**DCX Systems Limited (formerly known as DCX Cable Assemblies Private Limited)**

**Significant accounting policies and notes to restated financial information (continued)**

(All amounts in Indian Rupees Millions, unless otherwise stated)

**44 Operating Segment**

(a) The Company is exclusively engaged in the business of manufacturing of electronic sub-systems and cable harness for both international and domestic aerospace and defence sector. These in the context of the Ind AS 108 Operating Segment, are considered to constitute one single primary segment.

**45 Corporate social responsibility**

| Sr. No | Particulars                                   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------|---|---|---|---|---|---|
| 1      | CSR Amount Required to be spent for the year  | 8.54  | 4.00  | 4.00  | 1.55  | 0.52  |
| 2      | CSR Amount pending to Spend for the past year | (0.33)  | 1.52  | 1.52  | 0.52  | -   |
|        |   | <b>8.21</b>                                     | <b>5.52</b>                                   | <b>5.52</b>                                   | <b>2.07</b>                                 | <b>0.52</b>                                 |
| 3      | Spent during the year/period                  | -   | 0.25  | 5.85  | 0.55  | -   |
|        |   | <b>8.21</b>                                     | <b>5.27</b>                                   | <b>(0.33)</b>                                 | <b>1.52</b>                                 | <b>0.52</b>                                 |

| Sr. No | Particulars   | Consolidated For the Quarter ended 30 June 2022 | Standalone For the Quarter ended 30 June 2021 | Consolidated For the year ended 31 March 2022 | Standalone For the year ended 31 March 2021 | Standalone For the Year ended 31 March 2020 |
|--------|---|---|---|---|---|---|
| 1      | JSS Mahavidyapeetha   | -   | -   | 3.00  | -   | -   |
| 2      | The National Association for the Blind  | -   | -   | 0.50  | -   | -   |
| 3      | People for Animals  | -   | -   | 0.50  | -   | -   |
| 4      | Food Kits(Food Kits distributed to BPL families in associated with Chennarayana pattana Police station) | -   | 0.25  | 0.25  | -   | -   |
| 5      | PM CARE COVID19   | -   | -   | 1.52  | -   | -   |
| 6      | PMO National Relief Fund  | -   | -   | 0.08  | -   | -   |
| 7      | National Defence Fund   | -   | -   | -   | 0.55  | -   |
|        | <b>Total</b>  | <b>-</b>  | <b>0.25</b>                                   | <b>5.85</b>                                   | <b>0.55</b>                                 | <b>-</b>                                    |

**46** Previous year's figures have been regrouped/reclassified wherever necessary to conform current year's presentation.

**47** Statement of Adjustments to the Restated Financial Information

(i) No significant errors, non-provisions, regrouping, other adjustments are required to be done in Restated Financial Information.

(ii) Adjustments for audit qualification : None

The Standalone audit report for the financial statements of the Company for the year ended 31 March 2020, 31 March 2021, and for the period ended 30 June 2021, and Consolidated audit report for the year ended March 31, 2022 and for the period ended 30 June 2022 hereby presents a true and fair view and gives a reasonable assurance that the financial statements are free from material mis-statements and does not include any Qualified Opinion or Emphasis Of Matter paragraph except for Emphasis Of Matter regarding outbreak of COVID-19 pandemic during the year ended 31 March 2020 and 31 March 2021, 31 March 2022 ,30 June 2021 and 30 June 2022 , which according to the management assessment does not require any material adjustments in financial statements.

**For**  
**NBS & Co.**  
**Chartered Accountants**  
**FRN: 110100W**

**Sd/-**  
**Pradeep Shetty**  
Partner  
M No: 046940  
Place: Mumbai  
Date:16-Sep-2022  
UDIN:22046940ATFRPA5750

**For and on behalf of the Board of Directors of**  
**DCX Systems Limited**  
**(Formerly known as DCX Cable Assemblies Private Limited)**  
CIN: U31908KA2011PLC061686

**Sd/-**  
**H S RAGHAVENDRA RAO**  
CHAIRMAN & MANAGING DIRECTOR  
DIN: 00379249  
CHAIRMAN & MANAGING DIRECTOR  
DIN: 00379249

**Sd/-**  
**R SANKARAKRISHNAN**  
WHOLE TIME DIRECTOR  
DIN: 00078459  
WHOLE TIME DIRECTOR  
DIN: 00078459

**Sd/-**  
**K S RANGA**  
CHIEF FINANCIAL OFFICER  
Place: Bangalore  
Date:16-Sep-2022

**Sd/-**  
**NAGARAJ R DHAVASKAR**  
COMPANY SECRETARY  
Membership No. A53230

## OTHER FINANCIAL INFORMATION

The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations and other non-GAAP measures are given below:

| Particulars                             | As at and for the three-month period ended June 30, 2022<br>(consolidated)^ | As at and for the three-month period ended June 30, 2021<br>(standalone)^ | As at and for the year ended March 31, 2022<br>(consolidated) | As at and for the year ended March 31, 2021<br>(standalone) | As at and for the year ended March 31, 2020<br>(standalone) |
|---|---|---|---|---|---|
| Basic earnings per share (in ₹)         | 0.72  | 0.48  | 9.19  | 4.22  | 1.39  |
| Diluted earnings per share (in ₹)       | 0.72  | 0.48  | 9.19  | 4.22  | 1.39  |
| Return on Equity (%)                    | 4.52  | 6.68  | 55.79   | 63.18   | 56.75   |
| Net Asset Value per Equity Share (in ₹) | 15.92   | 7.15  | 15.19   | 6.68  | 2.45  |
| Profit for the year/period              | 55.68   | 33.45   | 656.08  | 295.58  | 97.44   |
| EBITDA (in ₹ million)                   | 173.56  | 58.60   | 838.73  | 100.80  | 305.13  |
| Adjusted EBITDA (in ₹ million)          | 243.45  | 116.27  | 1058.97   | 324.76  | 452.00  |

^ Not annualised

**Notes:** The ratios have been computed as under:

1. *Basic and diluted EPS: Restated profit for the year/period adjusted for the impact of bonus issue attributable to equity shareholders of the Company divided by total weighted average number of equity shares outstanding during the year/period. Basic and diluted EPS are computed in accordance with Ind AS 33 - Earnings per share. Earnings per share figures disclosed above are based on the Restated Financial Information of the Company, as adjusted for the bonus issue of 52,500,000 Equity Shares for all the periods presented herein, as applicable.*
2. *Return on Equity % = Restated profit for the year/period divided by Total Equity at the end of the year/period.*
3. *Net worth is equal to total equity.*
4. *Net asset value (per Equity Share) means total equity as restated divided by number of Equity Shares outstanding at the end of the year/period, as adjusted for the bonus issue of 52,500,000 Equity Shares for all the periods presented herein, as applicable.*
5. *Finance income includes 'Interest income on bank and other deposits' and 'Interest income on security deposits' as per Restated Financial information*
6. *EBITDA is calculated as profit before exceptional items and tax plus finance costs, depreciation and amortization expenses less other income and plus foreign exchange loss. Other income includes (i) interest income on fixed deposits; (ii) unwinding of interest on security deposit; (iii) income from foreign exchange fluctuation; (iv) gain on termination of lease; (v) income from mutual funds; (vi) income arising from fair valuation of asset through profit and loss; and (vii) other income on account of incentives received pursuant to the Pradhan Mantri Rojgar Protsahan Yojana.*
7. *Adjusted EBITDA is calculated as EBITDA plus interest on fixed deposits. For reconciliation of Adjusted EBITDA, see “– Non-GAAP Measures – Reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin to Profit for the Period / Year” on page 307.*
8. *Accounting and other ratios are derived from the Restated Financial Information.*

### Non-GAAP measures

Certain non-GAAP measures including but not limited to EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin (“Non-GAAP Measures”) presented in this Red Herring Prospectus are a supplemental measure of our performance and liquidity that are not required by, or presented in accordance with, Ind AS or Indian GAAP. Further, these Non-GAAP Measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS or Indian GAAP. In addition, these Non-GAAP Measures are not a standardised term, hence a direct comparison of similarly titled Non-GAAP Measures between companies may not be possible. Other companies may calculate the Non-GAAP Measures differently from us, limiting its usefulness as a comparative measure. Although the Non-GAAP Measures are not a measure of performance calculated in accordance with applicable accounting standards, our Company’s management believes that it is useful to an investor in evaluating us because it is a widely used measure to evaluate a company’s operating performance. See “Risk Factors – We have in this Red Herring Prospectus included certain non-GAAP financial measures and certain other industry measures related to our operations and financial performance. These non-GAAP measures and industry measures may vary from any standard methodology that is applicable across the Indian electronic system and cable harness industry, and therefore may not be comparable with



financial or industry-related statistical information of similar nomenclature computed and presented by other companies” on page 57.

#### Reconciliation of Return on Net Worth (RoNW)

(₹ in million)

|                                       | As at and for the three month period ended June 30, 2022 (consolidated) | As at and for the three month period ended June 30, 2021 (standalone) | As at and for the year ended March 31, 2022 (consolidated) | As at and for the year ended March 31, 2021 (standalone) | As at and for the year ended March 31, 2020 (standalone) |
|---------------------------------------|---|---|--|--|--|
| Equity share capital (I)              | 154.80  | 35.00   | 154.80   | 35.00  | 35.00  |
| Other equity (II)                     | 1,077.04  | 465.47  | 1021.10  | 432.86   | 136.70   |
| Total equity (III)=(I+II)             | 1,231.84  | 500.47  | 1175.90  | 467.86   | 171.70   |
| Profit for the period/year (IV) (PAT) | 55.68   | 33.45   | 656.08   | 295.58   | 97.44  |
| Return on Net Worth (IV/(I+II)) (%)   | 4.52  | 6.68  | 55.79  | 63.18  | 56.75  |

#### Reconciliation of Net Asset Value per Equity Share

(₹ in million, except share data)

|  | As at and for the three month period ended June 30, 2022 (consolidated) | As at and for the three month period ended June 30, 2021 (standalone) | As at and for the year ended March 31, 2022 (consolidated) | As at and for the year ended March 31, 2021 (standalone) | As at and for the year ended March 31, 2020 (standalone) |
|--|---|---|--|--|--|
| Equity share capital (I)                           | 154.80  | 35.00   | 154.80   | 35.00  | 35.00  |
| Other equity (II)                                  | 1,077.04  | 465.47  | 1021.10  | 432.86   | 136.70   |
| Total equity (III)=(I+II)                          | 1,231.84  | 500.47  | 1175.90  | 467.86   | 171.70   |
| Number of Equity Shares for the period / year (IV) | 77.40   | 70.00   | 77.40  | 70.00  | 70.00  |
| Net Asset Value per Equity Share* (V=(III)/IV)     | 15.92   | 7.15  | 15.19  | 6.68   | 2.45   |

\* Net asset value (per Equity Share) means total equity as restated divided by number of Equity Shares outstanding at the end of the year/period, as adjusted for the bonus issue of 52,500,000 Equity Shares for all the periods presented herein, as applicable.

#### Reconciliation of debt equity ratio

(₹ in million)

|                                | As at and for the three month period ended June 30, 2022 (consolidated) | As at and for the three month period ended June 30, 2021 (standalone) | As at and for the year ended March 31, 2022 (consolidated) | As at and for the year ended March 31, 2021 (standalone) | As at and for the year ended March 31, 2020 (standalone) |
|--------------------------------|---|---|--|--|--|
| Non-current borrowings (I)     | 354.40  | 0.00  | 354.40   | 0.00   | 0.00   |
| Current borrowings (II)        | 4,628.82  | 1,126.23  | 4671.80  | 1,363.79   | 1,339.77   |
| Total borrowings III = (I+II)  | 4,983.22  | 1,126.23  | 5026.20  | 1,363.79   | 1,339.77   |
| Equity share capital (IV)      | 154.80  | 35.00   | 154.80   | 35.00  | 35.00  |
| Other equity (V)               | 1,077.04  | 465.47  | 1021.10  | 432.86   | 136.70   |
| Total equity (VI)=(IV+V)       | 1,231.84  | 500.47  | 1175.90  | 467.86   | 171.70   |
| Debt equity ratio (VII=III/VI) | 4.05  | 2.25  | 4.27   | 2.91   | 7.80   |

## Reconciliation of net debt to equity ratio

(₹ in million)

|  | As at and for the three month period ended June 30, 2022 (consolidated) | As at and for the three month period ended June 30, 2021 (standalone) | As at and for the year ended March 31, 2022 (consolidated) | As at and for the year ended March 31, 2021 (standalone) | As at and for the year ended March 31, 2020 (standalone) |
|--|---|---|--|--|--|
| Non-current borrowings (I)                       | 354.40  | 0.00  | 354.40   | 0.00   | 0.00   |
| Current borrowings (II)                          | 4,628.82  | 1,126.23  | 4671.80  | 1,363.79   | 1,339.77   |
| Total borrowings III = (I+II)                    | 4,983.22  | 1,126.23  | 5026.20  | 1,363.79   | 1,339.77   |
| Cash and cash equivalents and bank balances (IV) | 1,597.20  | 199.34  | 1,884.79   | 858.83   | 564.07   |
| Net debt (V = III - IV)                          | 3,386.02  | 926.89  | 3,141.41   | 504.96   | 775.70   |
| Equity share capital (VI)                        | 154.80  | 35.00   | 154.80   | 35.00  | 35.00  |
| Other equity (VII)                               | 1,077.04  | 465.47  | 1021.10  | 432.86   | 136.70   |
| Total equity (VIII)=(VI+VII)                     | 1,231.84  | 500.47  | 1175.90  | 467.86   | 171.70   |
| Net Debt to equity ratio (IX= V/VIII)            | 2.75  | 1.85  | 2.67   | 1.08   | 4.52   |

In accordance with the SEBI ICDR Regulations, the audited financial statements of the Company for the financial year ended March 31, 2022, March 31, 2021, and March 31, 2020 (collectively, the “**Audited Financial Statements**”) are available on our website at <https://dcxindia.com/investors>.

Our Company is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Audited Financial Statements do not constitute, (i) a part of this Red Herring Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document or recommendation or solicitation to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The Audited Financial Statements should not be considered as part of information that any investor should consider for subscription to or purchase of any securities of our Company and should not be relied upon or used as a basis for any investment decision.

None of our Company or any of its advisors, nor BRLMs or the Promoter Selling Shareholders, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein.

## CAPITALISATION STATEMENT

The following table sets forth our Company's capitalization as at June 30, 2022, derived from Restated Financial Information, and as adjusted for the Offer. This table should be read in conjunction with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" on pages 299 and 27, respectively.

(₹ in million)

| Particulars                                 | Pre-Offer as at June 30,<br>2022 (consolidated) | As adjusted for the Offer* |
|---|---|----------------------------|
| <b>Total borrowings</b>                     |   |                            |
| - Non-current borrowings <sup>#</sup>       | 354.40  | [●]                        |
| - Current Borrowings <sup>#</sup>           | 4,628.82  | [●]                        |
| <b>Debt (A)</b>                             | <b>4,983.22</b>                                 | <b>[●]</b>                 |
| <b>Equity</b>                               |   |                            |
| -Equity Share capital <sup>#</sup>          | 154.80  | [●]                        |
| - Instruments entirely equity in nature     | -   | [●]                        |
| - Other equity <sup>#</sup>                 | 1,077.04  | [●]                        |
| <b>Total Equity (B)</b>                     | <b>1,231.84</b>                                 | <b>[●]</b>                 |
| <b>Debt equity ratio (A/B)<sup>^^</sup></b> | <b>4.05</b>                                     | <b>[●]</b>                 |
| <b>Non-current borrowings/ Total Equity</b> | <b>0.29</b>                                     | <b>[●]</b>                 |

Notes:

1. \* The corresponding post Offer capitalization data for each of the amounts given in the above table is not determinable at this stage pending the completion of the Book Building process and hence the same have not been provided in the above statement.
2. # These terms carry the same meaning as per Schedule III of the Companies Act, 2013, as amended.
3. ^^Debt to equity ratio (Total borrowings/ Total Equity).

## FINANCIAL INDEBTEDNESS

Our Company avails loans in the ordinary course of business for purposes such as, *inter alia*, meeting its working capital requirements, export credit and pre and post shipment finance. Except for the consent obtained from State Bank of India in connection with the Offer, which is subject to certain terms and conditions, our Company has obtained the necessary consents required under the relevant loan documentation for undertaking activities in relation to the Offer, such as, *inter alia*, effecting a change in our shareholding pattern, change in the management of our board and change in our capital structure in connection with or post the Offer. For details regarding the resolution passed by our Shareholders on March 21, 2022, authorizing the borrowing powers of our Board, see “*Our Management – Borrowing Powers of Board*” on page 212.

As on August 31, 2022, the aggregated outstanding borrowings of our Company amounted to ₹ 8,901.68 million on a consolidated basis. Set forth below is a brief summary:

| Category of borrowing                          | Sanctioned amount<br>(in ₹ million) | Outstanding amount as on<br>August 31, 2022 (in ₹ million) |
|--|-------------------------------------|--|
| <b>Secured</b>                                 |                                     |  |
| <b>Fund based (A)</b>                          |                                     |  |
| Working capital facilities                     | 7,173.50                            | 4,483.69   |
| Guaranteed Emergency Credit Line (GECL)        | 354.40                              | 354.40   |
| Term Loan                                      | 350.00                              | 0.00   |
| <b>Total Fund based Secured Loans</b>          | <b>7,877.90</b>                     | <b>4,838.09</b>  |
| <b>Non fund based (B)</b>                      |                                     |  |
| Bank guarantees                                | 8,056.12                            | 4,063.59   |
| <b>Total Secured Loans (I)</b>                 | <b>15,934.02</b>                    | <b>8,901.68</b>  |
| <b>Unsecured</b>                               |                                     |  |
| <b>Fund Based (C)</b>                          | Nil                                 | Nil  |
| <b>Non Fund Based (D)</b>                      | Nil                                 | Nil  |
| <b>Total Unsecured Loans (II)</b>              | Nil                                 | Nil  |
| <b>Total fund-based borrowings (A + C)</b>     | <b>7,877.90</b>                     | <b>4,838.09</b>  |
| <b>Total non-fund based borrowings (B + D)</b> | <b>8,056.12</b>                     | <b>4,063.59</b>  |
| <b>Total Borrowings (I+ II)</b>                | <b>15,934.02</b>                    | <b>8,901.68</b>  |

<sup>^</sup>As certified by NBS & Co, Chartered Accountants, by way of certificate dated October 19, 2022.

For details of our outstanding borrowings as on August 31, 2022, see “*Restated Financial Information*” on page 233.

### Principal terms of the facilities sanctioned to our Company:

The details provided below are indicative and there may be additional terms, conditions and requirements under the various borrowing arrangements entered into by our Company

1. **Interest:** In terms of the working capital facilities availed by us, the interest rate is typically the base rate of a specified lender and spread per annum, subject to a minimum interest rate. Interest rates are typically linked to benchmarks *inter-alia* SOFR (Secured Overnight Financing Rate), MCLR (Marginal Cost of Funds Based Landing Rate), and LIBOR (London Interbank Offered Rate), as applicable. For facilities availed by the Company, interest rate usually varies over 170 to 275 basis points over specified benchmarks, in accordance with terms of the respective facility agreements entered with the lenders. Additionally, interest rate on terms loans are typically calculated on per annum basis. For instance, interest on (GECL) working capital term loan is payable at 7.5% per annum. The interest on the term loan availed by our Subsidiary is payable at 9.25% per annum.
2. **Tenor:** The working capital facilities (fund based) availed by us are typically available for 180 days. The tenor for GECL (Guarantee Emergency Credit Line) Working capital term loan ranges from 60 to 72 months with moratorium period ranging from 12 to 24 month. The term loan availed by our Subsidiary is to be repaid in 60 monthly instalments within 72 months with an initial moratorium of 12 months.

3. **Security:** In terms of our borrowings where security needs to be created, we are typically required to, *inter alia*:
- a) Create exclusive charge on the current assets of the Company, both present and future;
  - b) Create equitable mortgage on our Registered and Corporate Office;
  - c) Create *pari passu* first charge on our plant and machinery
  - d) Create exclusive charge over residential flat bearing no. G-3, admeasuring 895 square feet situated at Sambram Apartment, Gokulam Main Road, V.V. Mohalla, Mysore, Karnataka-570007 owned by Dr. HS Raghavendra Rao, our Individual Promoter;
  - e) Execute corporate guarantees in the name of one of our Corporate Promoters, VNG Technology Private Limited; and
  - f) Execute personal guarantees in the name of our Individual Promoter, Dr. H.S. Raghavendra Rao
  - g) Execute corporate guarantees in the name of our Group Company, Raneal Technologies Private Limited; and
  - h) Execute corporate guarantee(s) in relation to certain borrowings of our Subsidiary

This is an indicative list and there may be additional requirements for creation of security under the various borrowing arrangements entered into by us.

4. **Penal Interest:** The terms of certain facilities availed by our Company prescribe penalties for non-payment of interest or repayment instalment, failure to create security within agreed timelines or any other breach of terms and conditions, which are as laid down in such facility documents or as may be stipulated by the concerned lender, as the case may be. The default interest payable on such facilities availed typically ranges from 0.25% to 5% per annum on the outstanding loan.
5. **Pre-payment:** The prepayment fee attracted in respect of certain loans is nil.
6. **Re-payment:** The working capital facilities are either repayable on demand or on their or on their respective due dates within the maximum tenor. The term loan is repayable in structured instalments.
7. **Events of Default:** Borrowing arrangements entered into by us contain certain standard events of default, including, *inter alia*:
- a) Non-creation of security within the stipulated timelines.
  - b) Default in the performance of any covenant, condition, or agreement on the part of the borrower in accordance with transaction documents.
  - c) Delay/failure to obtain external credit rating from an agency approved by RBI.
  - d) Non-submission/ delay in submission of audited balance sheet within stipulated period.

The details above are indicative and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by us.

Additionally, our Company is required to ensure that the aforementioned events of default and other events of default, as specified under the various binding documents and agreements entered into by our Company for the purpose of availing of loans are not triggered.

8. **Consequences of Events of Defaults:** In terms of our borrowing arrangements for the facilities availed by us, upon the occurrence of events of default, our lenders may:
- a) Declare any or all amounts under the facility, either whole or in part, as immediately due and payable to the lender;
  - b) Cancel the undrawn commitment of the facility;
  - c) Enforce the security created pursuant to the security documents;
  - d) Convert outstanding obligations under the facility into equity capital or other securities of our Company;
  - e) Appoint a nominee director/observer on our Board; and
  - f) Exercise any other rights that maybe available to the lender under the financing arrangements and applicable law.

The details above are indicative there may be additional consequences on the occurrence of an event of

default, as specified under the various binding documents and agreements entered into by our Company.

9. **Restrictive Covenants:** Certain borrowing arrangements entered into by us contain restrictive covenants, including, *inter alia*, that the borrower cannot without prior written consent or intimation:
- a) Enter into any merger or amalgamation or do a buy-back;
  - b) Change the general nature of its business or undertake any expansion or invest in any other entity;
  - c) Permit any change in its ownership or control or management or enter into arrangement whereby its business or operations are managed or controlled, directly or indirectly by any other person;
  - d) Make any amendments to its constitutional documents;
  - e) Avail any loan and/or stand as surety or guarantor for any third party liability or obligation and/or provide any loan or advance to any third party;
  - f) Encumber its assets;
  - g) Undertake guarantee obligations or extend letter of comfort, on behalf of any other company/person/ trust/ any third party
  - h) Declare dividend;
  - i) Effect any changes in its capital structure and management set-up
  - j) Invest in, extend any advance/loans, to any group companies/associates/subsidiary/any other third party; and
  - k) Effect any change in its constitution

This is an indicative list and there may be additional restrictive covenants under the various borrowing arrangements entered into by us. For details, see “*Risk Factors – We have incurred indebtedness and an inability to comply with repayment and other covenants in our financing agreements could adversely affect our business and financial condition. We have not been, and may continue to not be, in compliance with certain financial covenants under certain of our financing agreements*” on page 35.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Information on page 233. Unless otherwise indicated or the context otherwise requires, the financial information for Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2022 included herein is derived from the Restated Financial Information, included in this Red Herring Prospectus, which have been derived from our audited financial statements and restated in accordance with the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI, as amended from time to time, which differ in certain material respects from IFRS, U.S. GAAP and GAAP in other countries. For further information, see "Restated Financial Information" on page 233.*

*The consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 are not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021 given that we did not have any subsidiary in such prior periods. Further, unless otherwise indicated or the context otherwise requires, all operational information included herein for Fiscals 2020 and 2021 and the three months ended June 30, 2021 is on a standalone basis, while all such information for the three months ended June 30, 2022 and Fiscal 2022 is on a consolidated basis. For further information, see "Restated Financial Information" on page 233.*

*Unless the context otherwise requires, in this section, references to "our Company", "the Company", "we", "us" and "our" refer to DCX Systems Limited.*

*Unless otherwise indicated, industry and market data used in this section has been derived from the industry report titled "The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment" dated September 19, 2022 ("**Company Commissioned F&S Report**") prepared and issued by Frost & Sullivan (India) Private Limited, appointed by us on January 7, 2022, and exclusively commissioned and paid for by us for the purposes of confirming our understanding of the industry, exclusively in connection with the Offer. A copy of the Company Commissioned F&S Report is available on the website of our Company at <https://dxcindia.com/investors>. The data included herein includes excerpts from the Company Commissioned F&S Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Offer), that has been left out or changed in any manner. Unless otherwise indicated, financial, operational, industry and other related information derived from the Company Commissioned F&S Report and included herein with respect to any particular year refers to such information for the relevant calendar year. For more information, see "Risk Factors – Industry information included in this Red Herring Prospectus has been derived from an industry report prepared by Frost & Sullivan (India) Private Limited exclusively commissioned and paid for by us for such purpose." on page 54. Also see, "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data" on page 14.*

### OVERVIEW

We are among the leading Indian players for the manufacture of electronic sub-systems and cable harnesses in terms of manufacturing capability and revenue in Fiscal 2022 in the defence and aerospace sector (*Source: Company Commissioned F&S Report*). We are primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harness assemblies and are also involved in kitting. We commenced operations in 2011 and have been a preferred Indian Offset Partner ("**IOP**") for foreign original equipment manufacturers ("**OEMs**") for executing aerospace and defence manufacturing projects (*Source: Company Commissioned F&S Report*). We are a rapidly growing company in the Indian defence space (*Source: Company Commissioned F&S Report*) and our revenue from operations have grown at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. We are also one of the largest Indian Offset Partner ("**IOP**") for ELTA Systems Limited and Israel Aerospace Industries Limited, System Missiles and Space Division (together, the "**IAI Group**"), Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. Over the years, we have expanded our manufacturing capabilities and grown our order book.

The growing Indian landscape for defence and aerospace serves as a key opportunity for our Company. The Indian aerospace and defence sector is poised to attain a value of USD 70 billion by 2030. Recent initiatives like increase in foreign direct investment ("**FDI**") in the Indian defence sector from the current 49% to 74% under the automatic route is anticipated to be a key driver and growth opportunity for the market. The Defence Research and Development Organization has announced the indigenous development of roughly 108 systems and sub-systems

which is expected to generate demand for cables and connectors across the Indian defence environment. The Indian government has also banned approximately 101 items within the defence-based imports segment and have also introduced the third positive indigenization list that bans the import of 780 LRU/components. These initiatives are expected to boost indigenous manufacturing within India. The instating of defence industry corridors across Uttar Pradesh and Tamil Nadu is also poised to improve the market growth dynamics by broadening the opportunities offered to the private sector. (Source: Company Commissioned F&S Report) All of these in turn, serve as an opportunity for us to capitalize on the expected growth in this space.

We believe, our competitive advantages include our efficiency in operations resulting in timely delivery to our customers, maintaining quality control and product security. This has enabled us to develop long-term and entrenched relationships with our OEM customers that has resulted in growth in our operations and sizeable order book. We expect that our quality management systems will enable our system driven efficiency and continue to attract higher revenues going forward. Given the nature of our operations and industry that we operate in, projects have long lead times (Source: Company Commissioned F&S Report) and, as such, visibility and predictability of our revenues is high. Our Company's order book has increased from ₹ 19,413.11 million, as of March 31, 2020 to ₹ 23,690.04 million, as of March 31, 2022. As of June 30, 2022, our order book was ₹ 25,636.34 million to be executed in the Fiscal 2023 to Fiscal 2025.

We classify our operations under the following business verticals:

*System Integration:* We undertake system integration in areas of radar systems, sensors, electronic warfare, missiles, and communication systems. We provide product assembly and system integration services of various complexities to address customers' requirements. System integration services are part of a comprehensive array of electronics and electro-mechanical assembly and enclosure assembly. We also provide product repair support for the parts that we manufacture.

*Cable and Wire Harness Assemblies:* We manufacture a comprehensive array of cables and wire harnesses assemblies such as radio frequency cables, co-axial, mixed signal, power, and data cables for a variety of uses including communication systems, sensors, surveillance systems, missile systems, military armored vehicles, and other electronic warfare systems for the aerospace and defence industries as per our customers' requirements.

*Kitting:* We supply assembly ready kits of electronic and electro-mechanical parts and undertake all aspects of procurement including sourcing components from suppliers approved by our customer along with a 'Certificate of Compliance' for traceability, controlled storage of moisture sensitive devices to ensure that customers receive complete, assembly-ready kits when required when they are needed for production.

In addition, we also undertake certain job work services that includes assembly and testing of materials that have been supplied directly by our customers.

The table below shows our revenue from operations for the periods indicated as per our business verticals:

| Verticals                            | Fiscal                   |   |                          |   | Three months ended June 30, |   |                          |   |                          |   |
|--------------------------------------|--------------------------|---|--------------------------|---|-----------------------------|---|--------------------------|---|--------------------------|---|
|                                      | 2020                     |   | 2021                     |   | 2022                        |   | 2021                     |   | 2022                     |   |
|                                      | (Standalone)             |   | (Consolidated)           |   | (Standalone)                |   | (Consolidated)           |   |                          |   |
|                                      | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million)    | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) | Amount<br>(₹<br>million) | Percentage<br>of Revenue<br>from<br>Operations<br>(%) |
| System Integration *                 | 3,717.65                 | 82.75%  | 6,160.67                 | 96.09%  | 9,398.65                    | 85.27%  | 1,081.05                 | 87.95%  | 2,055.02                 | 96.36%  |
| Cable and Wire Harness Assemblies ** | 333.14                   | 7.42%   | 195.84                   | 3.05%   | 298.14                      | 2.70%   | 42.87                    | 3.49%   | 69.16                    | 3.24%   |
| Kitting                              | 441.83                   | 9.83%   | 55.12                    | 0.86%   | 1,325.94                    | 12.03%  | 105.22                   | 8.56%   | 8.36                     | 0.40%   |
| <b>Total</b>                         | <b>4,492.62</b>          | <b>100.00%</b>  | <b>6,411.63</b>          | <b>100.00%</b>  | <b>11,022.73</b>            | <b>100.00%</b>  | <b>1,229.14</b>          | <b>100.00%</b>  | <b>2,132.54</b>          | <b>100.00%</b>  |

\* Includes Merchandise Exports from India Scheme ("MEIS") incentive of ₹ 60.93 million, ₹ 28.28 million and ₹ 28.61 million, in Fiscal 2020, 2021 and 2022 and ₹ nil and ₹ nil, respectively in the three months ended June 30, 2021 and June 30, 2022.



*\*\* Includes MEIS incentive of ₹ 5.83 million, ₹ 0.03 million and ₹ nil in Fiscal 2020, 2021 and 2022 and ₹ nil and ₹ nil, respectively in the three months ended June 30, 2021 and June 30, 2022.*

We operate through our manufacturing facility located at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka. Our facility is spread over an area of 30,000 square feet and is set up for complete in-house environmental and electrical testing and wire processing. The location of our facility is in the same city as certain of our key domestic customers like Bharat Electronics Limited, Alpha Design Technologies Private Limited, Alpha Elsec Defence and Aerospace Systems Private Limited and Centum Adeno India Private Limited which, we believe, ensures shorter delivery time.

As of June 30, 2022, we had 26 customers in Israel, United States, Korea and India, including certain Fortune 500 companies, multinational corporations and start-ups. Our customers include domestic and international OEMs, and private companies and public sector undertakings in India across different sectors, ranging from defence and aerospace to space ventures and railways. We have a mix of domestic and international customers and certain of our key customers include Elta Systems Limited, Israel Aerospace Industries Limited – System Missiles and Space Division, Bharat Electronics Limited, Astra Rafael Comsys Private Limited, Alpha-Elsec Defense and Aerospace Systems Private Limited, Alpha Design Technologies Private Limited, Astra Microwave Products Limited, Kalyani Rafael Advanced Systems Private Limited, SFO Technologies Private Limited and DCX-Chol Enterprises Inc.

We are led by experienced Promoters and a qualified senior management team with significant experience in the aerospace and defence manufacturing industry. Dr. H.S. Raghavendra Rao, our Individual Promoter, Chairman and Managing Director, has over two decades of experience in electronics manufacturing and in the defence and aerospace sectors. Neal Jeremy Castleman, our Non-Independent and Non-executive Director, has a vast experience of more than two decades in the field of electronic manufacturing sectors. Our senior management team have demonstrated ability to anticipate and capitalize on changing market trends, manage and grow our operations and leverage and deepen customer relationships.

## **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our results of operations have been, and will continue to be, affected by a number of events and actions, some of which are beyond our control. However, there are some specific items that we believe have impacted our results of operations and, in some cases, will continue to impact our results. We believe that the following factors, amongst others, have, or could have, an impact on these results, the manner in which we generate income and incur the expenses associated with generating this income.

Maintaining our customer relationships

Our customers typically have specific requirements, and we believe that our continued relationships with our customers plays a significant role in determining our continued success and results of operations. We are also the largest IOP for M/s. IAI Group, Israel, for the Indian defence market for manufacture of electronic sub-systems (*Source: Company Commissioned F&S Report*). We primarily cater to the requirements of the export, both direct and deemed exports, markets in the aerospace and defence industry. Our customers include domestic and international OEMs, and private companies and public sector undertakings in India across different sectors, ranging from defence and aerospace to space ventures. We have strong and long-established relationships with most of our customers.

The demand for our products from our customers has a significant impact on our results of operations and financial condition and our sales are particularly affected by the inventory and sales levels of our key customers. In the event that we lose one or more of our key customers or if the amount of business we receive from them is reduced for any reason, our cash flows and results of operations may be affected. Our supply arrangements with our customers also require us to meet certain standards and performance obligations and our failure to meet such specifications could result in a reduction of business from them, termination of contracts or additional costs and penalties, all of which may adversely impact our results of operations and financial condition.

### ***Our Order Book position***

Our order book is computed based on the total order value from a customer less executed amount as on the relevant date. The following table sets forth details of our order book as per our business verticals for the periods indicated.

| Verticals                         | Fiscal                   |   |                          |   |                          |   | Three months ended June 30, |   |                          |   |
|-----------------------------------|--------------------------|---|--------------------------|---|--------------------------|---|-----------------------------|---|--------------------------|---|
|                                   | 2020                     |   | 2021                     |   | 2022                     |   | 2021                        |   | 2022                     |   |
|                                   | (Standalone)             |   |                          |   | (Consolidated)           |   | (Standalone)                |   | (Consolidated)           |   |
|                                   | Amount<br>(₹<br>million) | Percentage<br>of Total<br>Order<br>Book (%) | Amount<br>(₹<br>million) | Percentage<br>of Total<br>Order<br>Book (%) | Amount<br>(₹<br>million) | Percentage<br>of Total<br>Order<br>Book (%) | Amount<br>(₹<br>million)    | Percentage<br>of Total<br>Order<br>Book (%) | Amount<br>(₹<br>million) | Percentage<br>of Total<br>Order<br>Book (%) |
| System Integration                | 18,938.09                | 97.56%                                      | 25,592.23                | 89.64%                                      | 22,302.76                | 94.14%                                      | 24,511.18                   | 89.22%                                      | 24,299.86                | 94.79%                                      |
| Cable and Wire Harness Assemblies | 390.87                   | 2.01%                                       | 471.77                   | 1.65%                                       | 218.30                   | 0.92%                                       | 576.77                      | 2.10%                                       | 136.32                   | 0.53%                                       |
| Kitting                           | 84.15                    | 0.43%                                       | 2,486.18                 | 8.71%                                       | 1,168.98                 | 4.94%                                       | 2,380.95                    | 8.68%                                       | 1,200.16                 | 4.68%                                       |
| <b>Total</b>                      | <b>19,413.11</b>         | <b>100.00%</b>                              | <b>28,550.18</b>         | <b>100.00%</b>                              | <b>23,690.04</b>         | <b>100.00%</b>                              | <b>27,468.90</b>            | <b>100.00%</b>                              | <b>25,636.34</b>         | <b>100.00%</b>                              |

As of June 30, 2022, our order book comprised 42 orders aggregating ₹ 25,636.34 million which comprised orders amounting to ₹ 24,299.86 million towards our system integration vertical, order amounting to ₹ 1,200.16 million towards our kitting activities and ₹ 136.32 million towards cable and wire harness assemblies.

Our order book position with our customers also require us to meet certain standards and performance obligations and our failure to meet such specifications could result in a reduction of business from them, termination of orders or additional costs and penalties, all of which may adversely impact our results of operations and financial condition.

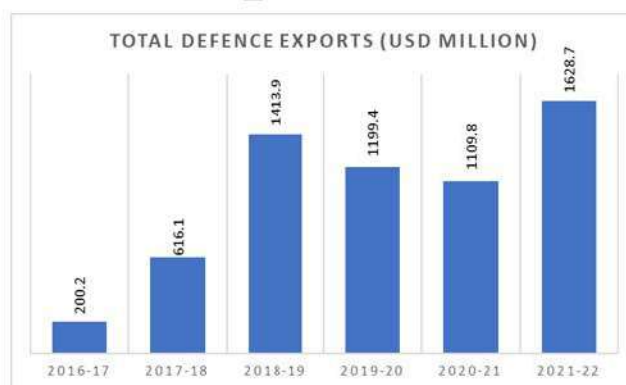
#### ***Indian defence budget brief and forecast***

India's defence budget outlay for Fiscal 2023 is ₹ 5,250,000 million, the annual budget representing a 10% increase over the budget of ₹ 4,780,000 million in Fiscal 2022. The Indian defence budget has experienced a CAGR of 14.3% between the period Fiscals 2017 to 2023. (Source: *Company Commissioned F&S Report*)

#### ***Defence exports of India***

Due to the relaxation of export limitations and policy changes, Indian defence exports are expected to rise rapidly. This is supported by the expanding capabilities of Indian defence suppliers. In comparison to defence public sector entities, the private sector now dominates Indian defence exports, which is expected to drive income prospects. Organizations such as our Company are well positioned to capture the growth in exports. The Government of India has set a target for US\$ 25 billion for defence production by 2025. It includes US\$ 5 billion in exports. In the next five years, India aims to export military hardware products worth US\$ 5 billion. Additionally, the value of India's defence exports in Fiscal 2020 was US\$ 1,231.9 million and this moderated to US\$ 771.8 million in Fiscal 2021. A dip in the exports for the year 2020 to 2021 is largely attributed to manufacturing disruptions and supply chain which have eased now. India's cumulative weapon import value fell by 33% between 2011 – 2015 and 2016 – 2020. This is a strong indication that efforts to boost capabilities and sourcing from the local defence industry have paid off. (Source: *Company Commissioned F&S Report*)

The defence exports from Fiscal 2017 to Fiscal 2022, are shown below:



Note: The CAGR for Exports is noted to be 52.08%% between FY 2016-2017-FY 2021-22.

(Source: Company Commissioned F&S Report)

While we believe that our programmes are well aligned with India’s national defence and aerospace policies, shifts in market spending and tax policy, changes in security levels, defence, and intelligence priorities, general economic conditions and developments, and other factors may affect a decision to fund, or the amount of funding available to, existing or proposed projects. Although we cater to our overseas customers directly, we may seek to expand this customer base by tying up with or entering into partnership with partners located around the world. Our future growth also depends on penetrating new international markets as well as remaining a key supplier to strategic sectors, adapting existing products to new applications, and introducing new products that achieve market acceptance.

Changes in applicable regulations have had and may have an impact on our business and results of operations. Our results of operations have been favourably impacted by the Government’s initiatives. The Ministry of Defence has announced the Defence Acquisition Procedure which has come into effect from October 1, 2020. This procedure focuses on significantly boosting indigenous production and turning India into a global manufacturing hub of weapons and military platforms. This procedure has been aligned with the vision of the Government’s Atmanirbhar Bharat initiative and to empower Indian domestic defence industry through ‘Make in India’ projects (Source: Company Commissioned F&S Report). We believe that this policy will provide a significant boost to indigenous manufacturing companies with design and manufacturing capabilities and we are positioned through vertical integration of the business model to take full benefit of the same. We believe this represents a significant opportunity for growth as we expand our products and solutions portfolio to designing, developing and/or manufacturing new products and solutions, which in turn will enable us to establish new customer bases and penetrate new geographies.

#### Availability and cost of raw materials

Our primary raw materials are electronic assemblies and sub-systems such as printed circuit board assemblies, power supplies, radio frequency cables and wires, radio frequency connectors, circular connectors, integrated circuits and mechanical enclosures. The following table sets out certain information about our raw materials expenditure in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, respectively.

| Raw Material                      | Fiscal                                  |                                   |   |                                   |   |                                   | Three months ended June 30,             |                                   |   |        |
|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|--------|
|                                   | 2020                                    |                                   | 2021                                    |                                   | 2022                                    |                                   | 2021                                    |                                   | 2022                                    |        |
|                                   | (Standalone)                            |                                   | (Consolidated)                          |                                   | (Consolidated)                          |                                   | (Standalone)                            |                                   | (Consolidated)                          |        |
| Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) |        |
| Printed Circuit Board Assemblies  | 1,882.80                                | 39.33%                            | 3,055.30                                | 41.13%                            | 3,866.41                                | 46.80%                            | 85.54                                   | 15.05%                            | 1,453.84                                | 59.78% |

| Raw Material          | Fiscal                            |   |                                   |   |                                   |   | Three months ended June 30,       |   |                                   |   |
|-----------------------|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|
|                       | 2020                              |   | 2021                              |   | 2022                              |   | 2021                              |   | 2022                              |   |
|                       | (Standalone)                      |   | (Standalone)                      |   | (Consolidated)                    |   | (Standalone)                      |   | (Consolidated)                    |   |
|                       | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) | Total Purchase Amount (₹ million) | Percentage of Total Purchase Amount (%) |
| Integrated Circuits   | 1,818.60                          | 37.99%                                  | 3,446.80                          | 46.39%                                  | 2,879.25                          | 34.85%                                  | 183.18                            | 32.23%                                  | 555.22                            | 22.83%                                  |
| Power Supplies        | 868.20                            | 18.14%                                  | 464.10                            | 6.25%                                   | 1,096.84                          | 13.28%                                  | 229.02                            | 40.29%                                  | 84.61                             | 3.48%                                   |
| Cables and Wires      | 75.20                             | 1.57%                                   | 35.80                             | 0.48%                                   | 68.40                             | 0.83%                                   | 32.56                             | 5.73%                                   | 128.45                            | 5.28%                                   |
| Connectors            | 78.90                             | 1.65%                                   | 26.70                             | 0.36%                                   | 120.40                            | 1.46%                                   | 3.22                              | 0.57%                                   | 40.29                             | 1.66%                                   |
| Mechanical enclosures | 25.70                             | 0.54%                                   | 32.90                             | 0.44%                                   | 66.47                             | 0.80%                                   | 12.70                             | 2.23%                                   | 23.80                             | 0.98%                                   |
| Others*               | 37.59                             | 0.78%                                   | 367.74                            | 4.95%                                   | 163.84                            | 1.98%                                   | 22.19                             | 3.90%                                   | 145.76                            | 5.99%                                   |
| <b>Total</b>          | <b>4,786.99</b>                   | <b>100.00%</b>                          | <b>7,429.34</b>                   | <b>100.00%</b>                          | <b>8,261.61</b>                   | <b>100.00%</b>                          | <b>568.42</b>                     | <b>100.00%</b>                          | <b>2,431.98</b>                   | <b>100.00%</b>                          |

Notes:

\* Others includes filters, bare PCB, motors, relays, sleeves, and adhesives, active and passive electronic components.

We have from time to time experienced cost fluctuations of our primary raw materials, particularly in the aforementioned components due to volatility in commodity markets. Since the selling price of our products are affected by the prices of our primary raw materials, fluctuations in the prices of these raw materials and an inability to pass on the cost increase to our customers could negatively affect our operating results. To manage such risks, we have agreements with a majority of our customers, pursuant to which pass on any fluctuation or increase in cost of raw materials to our customers. This allows us to factor in the costs of the raw materials when we enter into any sales contracts and accordingly pass on any increase in the prices of raw materials to our customers. For most of our other suppliers with whom we do not have such pricing windows, we tend to submit purchase orders for raw materials back-to-back at or around the same time as we receive orders from customers, to help minimize our open raw material positions. While we enter into general purchase agreements with certain of our suppliers, we typically do not enter into long-term agreements with our suppliers, other than for the contract period of the project under the purchase order. We typically pay in advance to our suppliers for procuring raw materials. However, shortage in supply positions in the global market could be a risk in scheduling our delivery timings and hence pose a business risk considering that the raw materials required for our business is basically a long lead time frame oriented. Shortage in supply of raw materials we use in our business may result in an increase in the price of the products. An increase in raw material prices could result in a reduction of our profit margins.

Our results of operations may be impacted by our ability to formulate and adjust business strategies in accordance with market demand as influenced by changing dynamics on supply in the competitive landscape.

#### ***Design and development of new products***

Our business model going forward will be dependent on our ability to successfully conduct design and development with respect to new products. However, this process is both time consuming and costly, and involves a high degree of business risk. To develop new products, we are required to commit substantial time, funds and other resources. Our investments in design and development for new products could result in higher costs without a proportionate increase in our revenues.

In addition, we must adapt to rapid changes in our industry due to technological advances. The cost of implementing new technologies, upgrading our manufacturing facilities and recruiting design staff could be significant and could adversely affect our profitability if commensurate revenue is not generated from the new design efforts.

#### ***Expansion of business verticals and operations***

Our manufacturing facility consists of a 30,000 square feet facility situated in a special economic zone dedicated for aerospace and defence industry. Our manufacturing has facilities for system integration, cable design, manufacturing, qualification and life cycle support of high reliability electronic systems used in defence and aerospace applications.

Our Company proposes to utilise ₹ 448.83 million towards funding the capital expenditure of our wholly owned Subsidiary, RASPL for the purpose of setting up a manufacturing facility for EMS through RASPL. The facility will include capabilities for design, development, manufacturing, qualification and life cycle support of high reliability electronic and electro – mechanical systems used in aerospace and defence, medical electronics and industrial electronics applications. For further information, see “*Objects of the Offer – Details of the Objects of the Fresh Issue – Investment in our wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses*” on page 103. In addition to the facility proposed to be set up RASPL as mentioned in the section “*Objects of the Offer*”, RASPL is in the process of setting up another facility on vacant land within our existing manufacturing facility. For further information, see “*Our Business – Proposed Manufacturing Facility*” on page 178.

We believe our investment in infrastructure will enable us to cater to the growing demand from our customers and enhance our product portfolio, which in turn is expected to result in an increase in our revenue and profits. However, the successful implementation of this project converting into revenue and getting new orders will depend on the demand from our customers, which is beyond our control and is subject to uncertainty as well as changes in Government policies and priorities.

While we continue to expand our business organically, we intend to evaluate and selectively pursue strategic investment and acquisition opportunities across the advanced technology platform products to supplement and complement our existing services and strategies when such opportunities arise. The actual deployment of funds will depend on a number of factors, including the timing, nature, size of acquisitions to be undertaken, as well as general factors affecting our results of operation, financial condition and access to capital. These factors will also determine the form of investment for these potential acquisitions. Going forward, our acquisition plans may be affected by delays, cancellations, renegotiations of the contracts as well as the long gestation period in implementing the plan and concluding such contracts, if any, which may affect our business positioning and financial results.

#### ***Imposition of liquidated damages and invocation of advance bank guarantees***

Most of our contracts with our customers require us to pay liquidated damages in the event of delay in delivery of products. The value of the liquidated damages typically ranges from 0.5% per week of delay to a maximum of 5% - 10% of the value of the undelivered portion of the contract. Additionally, we are required to secure performance guarantees by our Company for 5% of one-third value of the purchase orders towards performance of the equipment supplied until completion of 12 months warranty period indicated in such contracts.

We cannot assure you that in future such contracts will have the same margin or profitability. Any time and / or cost overruns on our contract for reasons beyond control, could have a material adverse effect on our business, financial condition and results of operations. While we have not faced any instances of imposition of liquidated damages or invocation of our performance corporate guarantees in the past three years, there can be no assurance that delays at our end would not result in imposition of such penalties. The incurring of such liabilities pursuant to the imposition of liquidated damages as well as invocation of such performance corporate guarantees in relation to our contracts could have an adverse effect on our business, operations, revenues and earnings.

#### ***Cost and availability of skilled manpower***

We require the application of skilled manpower at key stages of engineering and manufacturing processes. We have therefore, been focused on the recruitment, training and retention of a skilled employee base. As of June 30, 2022, we employed 98 full-time employees and 23 part time and contract labourers. Our expenses towards salaries, wages and other employee benefit costs was ₹ 55.97 million, ₹ 54.79 million, ₹ 86.65 million, ₹ 15.60 million and ₹ 24.31 million for Fiscal 2020, 2021 and 2022 and for the three months ended June 30, 2021 and June 30, 2022 and accounted for 1.24%, 0.85%, 0.83%, 1.25% and 1.14% of our total expenses respectively. In addition to our full -time employees, we hire workers on a contractual basis, for semi-skilled, unskilled and routine job works. We believe that our Company’s growth and work environment combined with our employee satisfaction rate has allowed us to attract talent. In addition, the presence of varied profiles available in our organisation coupled with high growth potential facilitates higher retention of employees. If there are any labour shortages, it could increase our production cost and hinder our productivity and ability to meet customers’ delivery schedules, any or all of which may have an adverse impact on our results of operations.

#### ***Impact of COVID-19 pandemic***

The COVID-19 pandemic and the preventative or protective actions that governments around the world have taken to counter the effects of the pandemic have resulted in an extended period of business disruption and a decrease in economic activity in several countries, including in India. In order to contain the spread of the COVID-19 pandemic, the Government of India along with State Governments declared a lockdown of the country in March 2020, including severe travel and transport restriction and a directive to all citizens to shelter in place. The lockdown has since been extended several times with gradual relaxations of the restrictions conducted through phases. As a result, the current COVID-19 pandemic has adversely affected workforces, consumer sentiment, economies and financial markets around the world and has led to uncertainty in the global economy and significant volatility in global financial markets.

Our business operations suffered certain minimal temporary disruptions in the period between March 2020 and June 2021, due to COVID-19 related lockdowns. Though our manufacturing facility was functioning largely as essential service industry with relevant permissions from the central/local authorities our ability to maintain operations resulted insignificant loss of productivity and cash flows. Events beyond our control may unfold in the future, which makes it difficult for us to predict the extent to which the COVID-19 pandemic will impact our Company's operations and results. We continue to closely monitor the effect that COVID-19 may have on our business and results of operations.

## **PRESENTATION OF FINANCIAL INFORMATION**

Our Restated Financial Information has been compiled from our audited consolidated financial statements as at and for the financial year ended March 31, 2022 and for the three months ended June 30, 2022 and our audited standalone financial statements as at and for the financial years ended March 31, 2020, and 2021 and for the three months ended June 30, 2021, prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013, read with Companies (Indian Accounting Standards) Rules, 2015 (as amended) and other relevant provisions of the Act.

The consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 are not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021 given that we did not have any subsidiary in such prior periods. Further, unless otherwise indicated or the context otherwise requires, all operational information included herein for Fiscals 2020 and 2021 and the three months ended June 30, 2021 is on a standalone basis, while all such information for the three months ended June 30, 2022 and Fiscal 2022 is on a consolidated basis.

## **NON-GAAP MEASURES**

### ***Earnings before Interest, Taxes, Depreciation and Amortization Expenses ("EBITDA")/ EBITDA Margin***

EBITDA presented in this Red Herring Prospectus is a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with, Ind AS, Indian GAAP, IFRS or US GAAP. Further, EBITDA is not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS, Indian GAAP, IFRS or US GAAP. In addition, EBITDA is not a standardised term; hence a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure. Although EBITDA is not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that it is useful to an investor in evaluating us because it is a widely used measure to evaluate a company's operating performance.

### ***Reconciliation of EBITDA and EBITDA Margin to Profit for the Period / Year***

The table below reconciles profit for the period / year to EBITDA. EBITDA is calculated as profit before exceptional items and tax, plus finance costs, depreciation and amortization expenses plus net loss on foreign currency translation, while EBITDA Margin is the percentage of EBITDA divided by total income.

| Particulars   | Fiscal          |                 |                  | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|---|-----------------|-----------------|------------------|----------------------------------|----------------------------------|
|   | 2020            | 2021            | 2022             | (Standalone)                     | (Consolidated)                   |
|   | (Standalone)    |                 | (Consolidated)   | (Standalone)                     | (Consolidated)                   |
|   | (₹ million)     |                 |                  |                                  |                                  |
| Profit before exceptional items and tax   | 128.67          | 398.06          | 755.55           | 38.04                            | 64.71                            |
| Adjustments:  |                 |                 |                  |                                  |                                  |
| Add: Finance Costs  | 79.41           | 99.22           | 113.22           | 14.28                            | 49.76                            |
| Add: Depreciation and Amortization expense  | 13.76           | 24.31           | 21.75            | 5.02                             | 4.59                             |
| Less: Other Income#   | 159.67          | 420.79          | 220.61           | 57.72                            | 70.00                            |
| Add: Net loss on foreign currency translation   | 242.96          | -               | 168.82           | 58.97                            | 124.50                           |
| <b>Earnings before interest, taxes, depreciation and amortization expenses (EBITDA) (A)</b> | <b>305.13</b>   | <b>100.80</b>   | <b>838.73</b>    | <b>58.60</b>                     | <b>173.56</b>                    |
| <b>Revenue from Operations (B)</b>  | <b>4,492.62</b> | <b>6,411.63</b> | <b>11,022.73</b> | <b>1,229.14</b>                  | <b>2,132.54</b>                  |
| <b>EBITDA Margin (EBITDA as a percentage of Revenue from Operations) (A/B)</b>              | <b>6.79%</b>    | <b>1.57%</b>    | <b>7.61%</b>     | <b>4.77%</b>                     | <b>8.14%</b>                     |

# Other income includes (i) interest income on fixed deposits; (ii) unwinding of interest on security deposit; (iii) income from foreign exchange fluctuation; (iv) gain on termination of lease; (v) income from mutual funds; (vi) income arising from fair valuation of asset through profit and loss; and (vii) other income on account of incentives received pursuant to the Pradhan Mantri Rojgar Protsahan Yojana.

#### **Reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin to Profit for the Period / Year**

The table below reconciles profit for the period / year to Adjusted EBITDA. Adjusted EBITDA is calculated as EBITDA plus interest on fixed deposits. While Adjusted EBITDA Margin is the percentage of Adjusted EBITDA divided by total income.

| Particulars   | Fiscal          |                 |                  | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|---|-----------------|-----------------|------------------|----------------------------------|----------------------------------|
|   | 2020            | 2021            | 2022             | (Standalone)                     | (Consolidated)                   |
|   | (Standalone)    |                 | (Consolidated)   | (Standalone)                     | (Consolidated)                   |
|   | (₹ million)     |                 |                  |                                  |                                  |
| EBITDA  | 305.13          | 100.80          | 838.73           | 58.60                            | 173.56                           |
| Adjustments:  |                 |                 |                  |                                  |                                  |
| Add: Interest on fixed deposits   | 146.87          | 223.96          | 220.24           | 57.67                            | 69.90                            |
| <b>Adjusted Earnings before interest, taxes, depreciation and amortization expenses (Adjusted EBITDA) (A)</b> | <b>452.00</b>   | <b>324.76</b>   | <b>1,058.97</b>  | <b>116.27</b>                    | <b>243.45</b>                    |
| <b>Total Income (B)</b>   | <b>4,652.29</b> | <b>6,832.42</b> | <b>11,243.34</b> | <b>1,286.86</b>                  | <b>2,202.54</b>                  |
| <b>Adjusted EBITDA Margin (Adjusted EBITDA as a percentage of total income from Operations) (A/B)</b>         | <b>9.72%</b>    | <b>4.75%</b>    | <b>9.42%</b>     | <b>9.03%</b>                     | <b>11.05%</b>                    |

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **Property, Plant and Equipment**

##### **Recognition and measurement**

The Company has elected to continue with the carrying value of Property, Plant and Equipment ('PPE') recognized as of transition date measured as per the Previous GAAP and use that carrying value as its deemed cost of the PPE as on the transition date.

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price (after deducting trade discount / rebate), non-refundable import duties and taxes, cost of replacing the component parts, borrowing costs and other directly attributable cost to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Spare parts procured along with the Plant and Equipment or subsequently which meets the recognition criteria of PPE are capitalized and added to the carrying amount of such items. The carrying amount of those spare parts that are replaced are derecognized when no future economic benefits are expected from their use or upon disposal. If the cost of the replaced part is not available, the estimated cost of similar new parts is used as an indication of what the cost of the existing part was when the item was acquired.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from use. Any profit or loss arising on the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in statement of profit and loss.

#### ***Subsequent costs***

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing the property, plant and equipment are recognised in the statement of profit and loss as incurred.

#### ***Disposal***

An item of property, plant and equipment is derecognised upon the disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income / expenses in the statement of profit and loss.

#### ***Depreciation***

Depreciation on property, plant and equipment is provided on written down value basis over the estimated economic useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 or as determined based on a technical evaluation by the company periodically. The depreciable amount of an asset is determined after deducting its residual value. Where the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, no depreciation charge is recognised till the asset's residual value decreases below the asset's carrying amount. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the intended manner. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IND AS 105 and the date that the asset is derecognized. Individual assets costing ₹ 5,000 or less are depreciated in full, in the year of purchase

#### ***Impairment of Assets***

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### ***Intangible Assets***



### ***Recognition and measurement***

Intangible assets are recognised when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually, either individually or at the cash-generating unit level.

Expenditure on research activities is recognised in the statement of profit and loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to complete development and to use or sell the asset.

Intangible assets which comprise of the development expenditure incurred on new product and expenditure incurred on acquisition of user licenses for computer software are recorded at their acquisition price. Subscriptions to software are treated as revenue expenses as the economic life of such software does not exceed one year.

### ***Subsequent measurement***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

### ***Amortisation***

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

### ***Disposal***

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognized.

## **Investments and Other Financial Assets**

### ***Fair Value Assessment***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of asset and liability if market participants would take those into consideration. Fair value for measurement and / or disclosure purposes in these Financial Statements is determined on such basis except for transactions in the scope of Ind AS 2, 17 and 36. Normally at initial recognition, the transaction price is the best evidence of fair value.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques those are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial assets and financial liabilities for which fair value is measured or disclosed in the Restated Financial Information is categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

### ***Subsequent Measurement***

For purposes of subsequent measurement financial assets are classified in three categories:

- Financial assets measured at amortized cost
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

### ***Financial assets measured at amortized cost***

Financial assets are measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are amortized using the effective interest rate ('EIR') method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss.

### ***Financial assets at fair value through OCI ('FVTOCI')***

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, an irrevocable election is made (on an instrument-by-instrument basis) to designate investments in equity instruments other than held for trading purpose at FVTOCI. Fair value changes are recognized in the other comprehensive income ('OCI'). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the financial asset other than equity instruments designated as FVTOCI, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss.

### ***Financial assets at fair value through profit or loss ('FVTPL')***

Any financial asset that does not meet the criteria for classification as at amortized cost or as financial assets at fair value through other comprehensive income is classified as financial assets at fair value through profit or loss. Further, financial assets at fair value through profit or loss also include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are fair valued at each reporting date with all the changes recognized in the statement of profit and loss.

### ***Derecognition***

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the financial asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

### ***Impairment of Financial Assets***

The Company assesses impairment based on expected credit loss ('ECL') model on the following:

- Financial assets that are measured at amortised cost; and
- Financial assets measured at FVTOCI

ECL is measured through a loss allowance on a following basis:

The 12 month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after the reporting date)

Full life time expected credit losses (expected credit losses that result from all possible default events over the life of financial instruments)

### **Financial Liabilities**

The Company's financial liabilities include trade payable.

#### ***Initial recognition and measurement***

All financial liabilities at initial recognition are classified as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss, as appropriate. All financial liabilities classified at amortized cost are recognized initially at fair value net of directly attributable transaction costs. Any difference between the proceeds (net of transaction costs) and the fair value at initial recognition is recognised in the statement of profit and loss.

#### ***Subsequent measurement:***

The subsequent measurement of financial liabilities depends upon the classification as described below:

#### ***Financial Liabilities Classified as Amortised Cost***

Financial Liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Interest expense that is not capitalized as part of costs of assets is included as Finance costs in the statement of profit and loss.

#### ***Financial Liabilities classified as Fair value through profit and loss (FVTPL):***

Financial liabilities classified as FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Financial liabilities designated upon initial recognition at FVTPL only if the criteria in Ind AS 109 is satisfied.

#### ***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged / cancelled / expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

#### ***Offsetting of financial instruments:***

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Other incomes, other than interest and dividend are recognized when the same are due to be received and right to receive such other income is established.

### **Share Capital and Share Premium**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax from the proceeds. Par value of the equity share is recorded as share capital and the amount received in excess of the par value is classified as share premium.

### **Dividend Distribution to Equity Shareholders**

The Company recognizes a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in other equity along with any tax thereon.

### **Cash Flows and Cash and Cash Equivalents**

Statement of cash flows is prepared in accordance with the indirect method prescribed in the relevant IND AS. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cheques and drafts on hand, deposits held with Banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and book overdrafts. However, Book overdrafts are to be shown within borrowings in current liabilities in the balance sheet for the purpose of presentation.

### **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event and it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions are determined based on management estimate of the amount required to settle the obligation at the balance sheet date. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a standalone asset only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist when a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received from it.

Contingent liabilities are disclosed on the basis of judgment of management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

Contingent assets are not recognized, however, disclosed in financial statement when inflow of economic benefits is probable.

### **Revenue Recognition and Other Income**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Revenue from sale of goods is recognized, when the control is transferred to the buyer, as per the terms of the contracts and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

Export incentives under various schemes notified by the government are recognised when no significant uncertainties as to the amount of consideration that would be derived and that the Company will comply with the conditions associated with the grant and ultimate collection exist.

Interest income or expense is recognised using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

## Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.
- At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

### *Company as a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets re determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is change in future lease payments arising from a change in an index or rate, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leasehold land is amortised over the period of lease being 99 years remaining as on the date of purchase.

#### ***Short-term leases and leases of low-value assets***

The Company has elected not to recognise right-of-use assets and lease liability for the short-term leases that have lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with such leases as an expense on a straight-line basis over the lease term.

#### ***Income Taxes***

Income tax expense represents the sum of tax currently payable and deferred tax. Tax is recognized in the statement of profit and loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### ***Current Tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income. Current tax assets and liabilities are offset only if there is a legally enforceable right to set it off the recognised amounts and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

#### ***Deferred Tax***

Deferred tax is provided using the balance sheet method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses (including unabsorbed depreciation) can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in Other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly or directly in equity respectively.

### ***Minimum Alternate Tax (MAT)***

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each balance sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the company will pay normal income tax during the specified period.

### **Employee Benefits**

#### ***Short term employee benefits***

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Undiscounted value of benefits such as salaries, incentives, allowances and bonus are recognized in the period in which the employee renders the related service.

#### **Long term benefits**

##### *Defined Contribution Plans*

The Company contributes to the employee's approved provident fund scheme. The Company's contribution paid/payable under the scheme is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related services.

##### *Defined Benefit Plans*

Gratuity Liability is a defined benefit obligation and is provided on the basis of an actuarial valuation model made at the end of the Financial Year. At present the company is not maintaining fund with any Asset Management Company towards gratuity.

##### *Earned Leave*

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. The liability toward leave encashment is provided on the basis of an actuarial valuation model made at the end of the financial year.

##### *Trade Receivables*

Trade receivables are the amount due from the customers for the sale of goods and services rendered in the ordinary course of business. Trade receivables are initially recognized at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognized that the fair value. The Company holds trade receivables for the receipt of contractual cashflows and therefore measures them subsequently at the amortized cost using effective interest rate method. In respect of advances received from the customers, contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue where the company performs under the contract (transfer control of the related goods or services to the customers).

##### *Trade Payables*

These amounts represents liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per the terms of contract with suppliers.

##### *Inventories*

Raw Materials, Work in Progress, Finished Goods, Packing Materials, Stores, Spares and Consumables are carried at the lower of cost and net realisable value. after providing cost of obsolescence. In determining the cost of Raw Materials, Packing Materials, Stores, Spares and Consumables, FIFO Method is used. Cost of Inventory comprises of all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition.

Cost of Finished Goods includes the cost of Raw Materials, Packing Materials, an appropriate share of fixed and variable production overheads and other costs incurred in bringing the inventories to their present location and condition. Cost of Stock in Trade procured for specific projects is assigned by specific identification of individual costs of each item.

#### *Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset, that necessarily takes substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest, exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost that an entity incurs in connection with the borrowings of the funds.

#### *Earnings Per Share*

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements and stock split in equity shares issued during the year and excluding treasury shares. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares and stock split, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

Diluted EPS adjust the figures used in the determination of basic EPS to consider.

The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

#### *Segment Reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company has identified Managing Director as Chief Operating Decision Maker.

#### *Foreign Currency Transactions*

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are generally recognized in the statement of profit and loss

#### *Government Grants and Subsidies*

Grants and subsidies that compensate the Company for expenses incurred are recognised in the statement of profit and loss as other operating income on a systematic basis in the periods in which such expenses are recognised.

## **PRINCIPAL COMPONENTS OF INCOME AND EXPENDITURE**

### **Income**

Our total income comprise (i) revenue from operations; and (ii) other business income.

#### ***Revenue from Operations***



Revenue from operations comprise (i) sale of products which include system integration, cable and wire harness assembly and kitting; and (ii) sale of services which include job work services in system integration and cable and wire harness assembly verticals for both domestic and international customers; and (iii) MEIS incentive for physical exports.

#### ***Other Income***

Other income includes (i) interest income on fixed deposits; (ii) unwinding of interest on security deposit; (iii) income from foreign exchange fluctuation; (iv) gain on termination of lease; (v) income from mutual funds; (vi) income arising from fair valuation of asset through profit and loss; and (vii) other income on account of incentives received pursuant to the Pradhan Mantri Rojgar Protsahan Yojana.

#### **Expenses**

Our expenses comprise (i) cost of materials consumed; (ii) changes in inventories of finished goods and work-in-progress; (iii) employee benefits expense; (iv) finance costs; (v) depreciation and amortization expense; and (vi) other expenses.

#### ***Costs of Materials Consumed***

Cost of material consumed consists of (i) import purchases; (ii) local purchases; and (iii) changes in raw materials inventory. Primary raw materials include printed circuit board assemblies, integrated circuits, power supplies, cable and wires, connectors, mechanical enclosures and others. Others include filters, bare PCB, motors, relays, sleeves, and adhesives, active and passive electronic components.

#### ***Changes in inventories of finished goods and work-in-progress***

Changes in inventories of finished goods and work-in-progress consists of (i) opening inventories (stock-in-trade, finished goods, work-in-progress and stores and spares); and (ii) closing inventories (stock-in-trade, finished goods, work-in-progress and stores and spares).

#### ***Employee Benefits Expense***

Employee benefits expense primarily comprises (i) salaries and wages including bonus, incentives; (ii) staff welfare expenses; (iii) gratuity; (iv) employee insurance; (v) induction and training programme expenses; (vi) encashment of earned leave; and (vii) entertainment expenses. As of June 30, 2022, we had 98 full-time employees.

#### ***Finance Costs***

Finance costs include (i) interest on borrowings; (ii) bank charges; (iii) other interest including interest on working capital demand loan; (iv) unwinding of interest on lease liabilities; and (v) other borrowing costs, consisting of bank guarantee charges and bank charges.

#### ***Depreciation and Amortization Expense***

Depreciation and amortization expenses comprise (i) depreciation on property, plant and equipment; (ii) amortization of right-of-use assets; and (iii) amortization of intangible assets.

#### ***Other Expenses***

Other expenses comprises: (i) power and fuel expenses incurred towards our manufacturing operations; (ii) repairs and maintenance expenses towards building and machinery; (iii) wages and labour charges; (iv) freight expenses incurred towards import and local transportation of goods; (v) insurance; (vi) rates and taxes incurred towards custom duty; (vii) loss on foreign currency translation; (viii) business promotion expenses; (ix) travelling and conveyance expenses; (x) professional and consultancy fees; (xi) communication expenses; (xii) printing and stationery; (xiii) recruitment expenses; (xiv) other expenses incurred towards security personnel charges, gardening charges, food expenditure, housekeeping expenditure, housekeeping material, membership fees and IT accessories; (xv) loss arising from fair valuation of assets through profit & loss (xvi) clearing and forwarding charges; and (xvii) remuneration to auditors towards statutory audit.

## RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our results of operations for Fiscal 2020, 2021 and 2022 and for the three months ended June 30, 2021 and June 30, 2022:

| Particulars   | Fiscal          |                            |                 |                            |                  |                            | Three months ended June 30, |                            |                 |                            |
|---|-----------------|----------------------------|-----------------|----------------------------|------------------|----------------------------|-----------------------------|----------------------------|-----------------|----------------------------|
|   | 2020            |                            | 2021            |                            | 2022             |                            | 2021                        |                            | 2022            |                            |
|   | (Standalone)    |                            |                 |                            | (Consolidated)   |                            | (Standalone)                |                            | (Consolidated)  |                            |
|   | (₹ million)     | Percentage of Total Income | (₹ million)     | Percentage of Total Income | (₹ million)      | Percentage of Total Income | (₹ million)                 | Percentage of Total Income | (₹ million)     | Percentage of Total Income |
| <b>Revenue</b>  |                 |                            |                 |                            |                  |                            |                             |                            |                 |                            |
| Revenue from operations   | 4,492.62        | 96.57%                     | 6,411.63        | 93.84%                     | 11,022.73        | 98.04%                     | 1,229.14                    | 95.51%                     | 2,132.54        | 96.82%                     |
| Other income  | 159.67          | 3.43%                      | 420.79          | 6.16%                      | 220.61           | 1.96%                      | 57.72                       | 4.49%                      | 70.00           | 3.18%                      |
| <b>Total Income</b>   | <b>4,652.29</b> | <b>100.00%</b>             | <b>6,832.42</b> | <b>100.00%</b>             | <b>11,243.34</b> | <b>100.00%</b>             | <b>1,286.86</b>             | <b>100.00%</b>             | <b>2,202.54</b> | <b>100.00%</b>             |
| <b>Revenue</b>  |                 |                            |                 |                            |                  |                            |                             |                            |                 |                            |
| Cost of materials consumed  | 4,311.78        | 92.68%                     | 6,604.35        | 96.66%                     | 9,293.43         | 82.66%                     | 584.04                      | 45.38%                     | 1,901.27        | 86.32%                     |
| Changes in inventories of finished goods and work-in-progress                       | (232.49)        | (5.00)%                    | (419.66)        | (6.14)%                    | 712.43           | 6.34%                      | 558.51                      | 43.40%                     | 0.00            | 0.00%                      |
| Employee benefits expense   | 55.97           | 1.20%                      | 54.79           | 0.80%                      | 86.65            | 0.77%                      | 15.60                       | 1.21%                      | 24.31           | 1.10%                      |
| Finance costs   | 79.41           | 1.71%                      | 99.22           | 1.45%                      | 113.22           | 1.01%                      | 14.28                       | 1.11%                      | 49.76           | 2.26%                      |
| Depreciation and amortization expense   | 13.76           | 0.30%                      | 24.31           | 0.36%                      | 21.75            | 0.19%                      | 5.02                        | 0.39%                      | 4.59            | 0.21%                      |
| Other expenses  | 295.19          | 6.35%                      | 71.35           | 1.04%                      | 260.31           | 2.32%                      | 71.37                       | 5.55%                      | 157.90          | 7.17%                      |
| <b>Total expenses</b>   | <b>4,523.62</b> | <b>97.23%</b>              | <b>6,434.36</b> | <b>94.17%</b>              | <b>10,487.79</b> | <b>93.28%</b>              | <b>1,248.82</b>             | <b>97.04%</b>              | <b>2,137.83</b> | <b>97.06%</b>              |
| Profit before exceptional items and tax   | 128.67          | 2.77%                      | 398.06          | 5.83%                      | 755.55           | 6.72%                      | 38.04                       | 2.96%                      | 64.71           | 2.94%                      |
| Exceptional items   | -               | -                          | -               | -                          | -                | -                          | -                           | -                          | -               | -                          |
| Profit before tax   | 128.67          | 2.77%                      | 398.06          | 5.83%                      | 755.55           | 6.72%                      | 38.04                       | 2.96%                      | 64.71           | 2.94%                      |
| <b>Tax expense</b>  |                 |                            |                 |                            |                  |                            |                             |                            |                 |                            |
| Current tax   | (37.41)         | (0.80)%                    | (104.65)        | (1.53)%                    | (132.02)         | (1.17)%                    | (6.65)                      | (0.52)%                    | (11.65)         | (0.53)%                    |
| Deferred tax  | 1.24            | 0.03%                      | 2.17            | 0.03%                      | 2.59             | 0.02%                      | 0.55                        | 0.04%                      | (0.03)          | 0.00%                      |
| MAT Credit  | -               | -                          | -               | -                          | 29.96            | 0.27%                      | 1.51                        | 0.12%                      | 2.65            | 0.12%                      |
| Previous year tax charges   | 4.94            | 0.11%                      | -               | -                          | -                | -                          | 0.00                        | 0.00%                      | 0.00            | 0.00%                      |
| Total tax expense   | (31.23)         | (0.67)%                    | (102.48)        | (1.50)%                    | (99.47)          | (0.88)%                    | (4.59)                      | (0.36)%                    | (9.03)          | (0.41)%                    |
| <b>Profit for the period (A)</b>  | <b>97.44</b>    | <b>2.09%</b>               | <b>295.58</b>   | <b>4.33%</b>               | <b>656.08</b>    | <b>5.84%</b>               | <b>33.45</b>                | <b>2.60%</b>               | <b>55.68</b>    | <b>2.53%</b>               |
| <b>Other comprehensive (loss) / income</b>  |                 |                            |                 |                            |                  |                            |                             |                            |                 |                            |
| <b>Items that will not be reclassified to profit and loss in subsequent periods</b> |                 |                            |                 |                            |                  |                            |                             |                            |                 |                            |
| Remeasurements of defined   | (0.36)          | (0.01)%                    | 0.82            | 0.01%                      | (0.32)           | 0.00%                      | (1.02)                      | (0.08)%                    | 0.32            | 0.01%                      |

| Particulars  | Fiscal                      |                            |               |                            |                |                            | Three months ended June 30, |                            |                |                            |
|--|-----------------------------|----------------------------|---------------|----------------------------|----------------|----------------------------|-----------------------------|----------------------------|----------------|----------------------------|
|  | 2020                        |                            | 2021          |                            | 2022           |                            | 2021                        |                            | 2022           |                            |
|  | (Standalone)                |                            |               |                            | (Consolidated) |                            | (Standalone)                |                            | (Consolidated) |                            |
|  | (₹ million)                 | Percentage of Total Income | (₹ million)   | Percentage of Total Income | (₹ million)    | Percentage of Total Income | (₹ million)                 | Percentage of Total Income | (₹ million)    | Percentage of Total Income |
|  | benefit liability / (asset) |                            |               |                            |                |                            |                             |                            |                |                            |
| Income tax relating to remeasurements of defined benefit liability / (asset) | 0.10                        | 0.00%                      | (0.24)        | 0.00%                      | 0.11           | 0.00%                      | 0.18                        | 0.01%                      | (0.06)         | 0.00%                      |
| <b>Total other comprehensive income (B)</b>                                  | <b>(0.26)</b>               | <b>(0.01)%</b>             | <b>0.58</b>   | <b>0.01%</b>               | <b>(0.21)</b>  | <b>0.00%</b>               | <b>(0.84)</b>               | <b>(0.07)%</b>             | <b>0.26</b>    | <b>0.01%</b>               |
| <b>Total comprehensive income for the period (A+ B)</b>                      | <b>97.18</b>                | <b>2.09%</b>               | <b>296.16</b> | <b>4.33%</b>               | <b>655.87</b>  | <b>5.83%</b>               | <b>32.61</b>                | <b>2.53%</b>               | <b>55.94</b>   | <b>2.54%</b>               |

### THREE MONTHS ENDED JUNE 30, 2022 COMPARED TO THREE MONTHS ENDED JUNE 30, 2021

Until Fiscal 2021, our Company did not have any subsidiary and accordingly, no consolidated financial statements were prepared. In Fiscal 2022, we incorporated a wholly owned subsidiary, Raneal Advanced Systems Private Limited. Accordingly, the consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 is not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021.

#### Income

Total income increased by 71.16% from ₹ 1,286.86 million in the three months ended June 30, 2021 to ₹ 2,202.54 million in the three months ended June 30, 2022, primarily attributable to the following:

#### *Revenue from Operations*

Revenue from operations increased by 73.50% from ₹ 1,229.14 million in the three months ended June 30, 2021 to ₹ 2,132.54 million in the three months ended June 30, 2022 attributable as follows:

- Sale of products increased by 73.43% from ₹ 1,229.19 million in the three months ended June 30, 2021 to ₹ 2,131.80 million in the three months ended June 30, 2022. This was driven by an increase of 90.09% in our system integration business from ₹ 1,081.05 million in the three months ended June 30, 2021 to ₹ 2,055.02 million in the three months ended June 30, 2022.
- Income from sale of services increased from ₹ (0.05) million in the three months ended June 30, 2021 to ₹ 0.74 million in the three months ended June 30, 2022 on account of increase in job work services for customers in our system integration and cable and wire harness assembly verticals.

#### *Other Income*

Other income increased by 21.28% from ₹ 57.72 million in the three months ended June 30, 2021 to ₹ 70.00 million in the three months ended June 30, 2022. This was primarily due to an increase in income from interest on fixed deposits by 21.21% from ₹ 57.67 million in the three months ended June 30, 2021 to ₹ 69.90 million in the three months ended June 30, 2022.

#### Expenses

Total expenses increased by 71.19% from ₹ 1,248.82 million in the three months ended June 30, 2021 to ₹ 2,137.83 million in the three months ended June 30, 2022. This was primarily due to the increase in the cost of materials consumed, employee benefit expenses, finance cost and other expenses.

#### ***Cost of Materials Consumed***

Cost of materials consumed increased by 225.54% from ₹ 584.04 million in the three months ended June 30, 2021 to ₹ 1,901.27 million in the three months ended June 30, 2022 and the increase is primarily attributable to an increase in domestic purchases by 892.16% from ₹ 209.93 million in the three months ended June 30, 2021 to ₹ 2,082.84 million in the three months ended June 30, 2022 on account of an increase in revenue from operations from ₹ 1,229.14 million to ₹ 2,132.54 million. This was partially offset by a decrease in import purchases, by 2.59% from ₹ 358.49 million in the three months ended June 30, 2021 to ₹ 349.14 million in the three months ended June 30, 2022.

#### ***Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress***

Changes in inventories of finished goods, stock-in-trade and work-in-progress decreased from ₹ 558.51 million in the three months ended June 30, 2021 to ₹ nil in the three months ended June 30, 2022. This was primarily attributable to decrease in closing inventory from ₹ 153.92 million to ₹ nil on account of full consumption of work-in-process materials due to increase in sales of our products.

#### ***Employee Benefits Expenses***

Employee benefit expenses increased by 55.83% from ₹ 15.60 million in the three months ended June 30, 2021 to ₹ 24.31 million in the three months ended June 30, 2022. This was primarily due to an increase in salaries and wages (including bonus and incentives) by 65.84% from ₹ 13.38 million in the three months ended June 30, 2021 to ₹ 22.19 million in the three months ended June 30, 2022, on account of growth in business operations and accordingly, a corresponding increase in number of full-time and contractual employees from 114 employees in the three months ended June 30, 2021 to 121 employees in the three months ended June 30, 2022.

#### ***Finance Cost***

Finance costs increased by 248.46% from ₹ 14.28 million in the three months ended June 30, 2021 to ₹ 49.76 million in the three months ended June 30, 2022. This increase is primarily attributable to an increase in interest on borrowing, by 688.94% from ₹ 4.43 million in the three months ended June 30, 2021 to ₹ 34.95 million in the three months ended June 30, 2022, on account of an increase in our borrowings. The increase was partially offset by a decrease in other borrowing costs by 30.06% from ₹ 7.12 million in the three months ended June 30, 2021 to ₹ 4.98 million in the three months ended June 30, 2022.

#### ***Depreciation and Amortization Expense***

Depreciation and amortization expense decreased by 8.57% from ₹ 5.02 million in the three months ended June 30, 2021 to ₹ 4.59 million in the three months ended June 30, 2022, primarily due to a decrease in depreciation of property, plant and equipment by 10.58% from ₹ 4.82 million in the three months ended June 30, 2021 to ₹ 4.31 million in the three months ended June 30, 2022. This was partially offset by an increase in amortisation on intangible assets from ₹ 0.20 million in the three months ended June 30, 2021 to ₹ 0.28 million in the three months ended June 30, 2022, on account of increase in investment in - computer software.

#### ***Other Expenses***

Other expenses increased by 121.24% from ₹ 71.37 million in the three months ended June 30, 2021 to ₹ 157.90 million in the three months ended June 30, 2022. This was primarily due to an increase in:

- Net loss on foreign currency translation by 111.12% from ₹ 58.97 million in the three months ended June 30, 2021 to ₹ 124.50 million in the three months ended June 30, 2022, on account of foreign exchange fluctuations.
- Professional and consultancy fees, from ₹ 0.85 million in the three months ended June 30, 2021 to ₹ 12.98 million in the three months ended June 30, 2022.
- Rates and taxes, from ₹ 0.01 million in the three months ended June 30, 2021 to ₹ 2.76 million in the three months ended June 30, 2022.

- Loss on sale of - Merchandise Export Incentive Scheme Licenses from ₹ nil in the three months ended June 30, 2021 to ₹ 2.55 million in the three months ended June 30, 2022.

This was partially offset primarily by a decrease in freight expenses by 16.06% from ₹ 3.30 million in the three months ended June 30, 2021 to ₹ 2.77 million in the three months ended June 30, 2022 on account of decrease in import purchases.

#### **Profit before Exceptional Items and Tax**

For the reasons discussed above, profit before exceptional items and tax was ₹ 64.71 million in the three months ended June 30, 2022, as compared to ₹ 38.04 million in the three months ended June 30, 2021.

#### **Tax Expenses**

Deferred tax charge was ₹ (0.03) million in the three months ended June 30, 2022, as compared to ₹ 0.55 million in the three months ended June 30, 2021; current tax charge was ₹ 11.65 million in the three months ended June 30, 2022, as compared to ₹ 6.65 million in the three months ended June 30, 2021. Total tax expense amounted to ₹ 9.03 million in the three months ended June 30, 2022, as compared to ₹ 4.59 million in the three months ended June 30, 2021.

#### **Profit for the Period**

For the various reasons discussed above, we recorded a profit after tax for the period of ₹ 55.68 million in the three months ended June 30, 2022, as compared to ₹ 33.45 million in the three months ended June 30, 2021.

#### **Total Comprehensive Income for the Period, Net of Tax**

Total comprehensive income for the period was ₹ 55.94 million in the three months ended June 30, 2022, as compared to ₹ 32.61 million in the three months ended June 30, 2021.

#### **Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)**

Adjusted EBITDA was ₹ 243.45 million in the three months ended June 30, 2022, compared to ₹ 116.27 million in the three months ended June 30, 2021, while Adjusted EBITDA Margin was 11.05% in the three months ended June 30, 2022, compared to 9.03% in the three months ended June 30, 2021.

#### **FISCAL 2022 COMPARED TO FISCAL 2021**

Until Fiscal 2021, our Company did not have any subsidiary and no consolidated financial statements were prepared. In Fiscal 2022, we incorporated a wholly owned subsidiary, Raneal Advanced Systems Private Limited. Accordingly, the consolidated financial information for the three months ended June 30, 2022 and Fiscal 2022 is not directly comparable with the standalone financial information for Fiscals 2020 and 2021 and the three months ended June 30, 2021.

#### **Income**

Total income increased by 64.56% from ₹ 6,832.42 million in Fiscal 2021 to ₹ 11,243.34 million in Fiscal 2022, primarily attributable to the following:

#### ***Revenue from Operations***

Revenue from operations increased by 71.92% from ₹ 6,411.63 million in Fiscal 2021 to ₹ 11,022.73 million in Fiscal 2022 attributable as follows:

- Sale of products increased by 72.08% from ₹ 6,378.72 million in Fiscal 2021 to ₹ 10,976.66 million in Fiscal 2022. This was driven by an increase of 52.56% in our system integration business from ₹ 6,160.67 million in Fiscal 2021 to ₹ 9,398.65 million in Fiscal 2022.

- Income from sale of services increased by 279.80% from ₹ 4.60 million in Fiscal 2021 to ₹ 17.46 million in Fiscal 2022 on account of increase in job work services for customers in our system integration and cable and wire harness assembly verticals.
- Other operating revenue increased by 1.05% from ₹ 28.31 million in Fiscal 2021 to ₹ 28.61 million in Fiscal 2022 on account of increase in export incentive.

#### ***Other Income***

Other income decreased by 47.57% from ₹ 420.79 million in Fiscal 2021 to ₹ 220.61 million in Fiscal 2022. This was primarily due to a decrease in income from interest on fixed deposits by 1.66% from ₹ 223.96 million in Fiscal 2021 to ₹ 220.24 million in Fiscal 2022 and foreign exchange fluctuation from ₹ 196.05 million in Fiscal 2021 to ₹ nil in Fiscal 2022.

#### **Expenses**

Total expenses increased by 63.00% from ₹ 6,434.36 million in Fiscal 2021 to ₹ 10,487.79 million in Fiscal 2022. This was primarily due to the increase in cost of materials consumed, employee benefit expenses, finance cost and other expenses.

#### ***Cost of Materials Consumed***

Cost of materials consumed increased by 40.72% from ₹ 6,604.35 million in Fiscal 2021 to ₹ 9,293.43 million in Fiscal 2022 and the increase is primarily attributable to an increase in import purchases by 62.94% from ₹ 1,086.60 million in Fiscal 2021 to ₹ 1,770.47 million in Fiscal 2022 and increase in domestic purchases by 2.34% from ₹ 6,342.74 million in Fiscal 2021 to ₹ 6,491.14 million in Fiscal 2022 on account of increase in revenue from operations from ₹ 6,411.63 million in Fiscal 2021 to ₹ 11,022.73 million in Fiscal 2022.

#### ***Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress***

Changes in inventories of finished goods, stock-in-trade and work-in-progress increased from ₹ (419.66) million in Fiscal 2021 to ₹ 712.43 million in Fiscal 2022. This was primarily attributable to an increase in sale of products from ₹ 6,378.72 million in Fiscal 2021 to ₹ 10,976.66 million in Fiscal 2022 and on account of decrease in the closing inventory of work-in process from ₹ 692.46 million in Fiscal 2021 to ₹ nil in Fiscal 2022.

#### ***Employee Benefits Expenses***

Employee benefit expenses increased by 58.14% from ₹ 54.79 million in Fiscal 2021 to ₹ 86.65 million in Fiscal 2022. This was primarily due to an increase in salaries and wages (including bonus and incentives) by 50.94% from ₹ 50.92 million in Fiscal 2021 to ₹ 76.86 million in Fiscal 2022, on account of growth in business operations and accordingly, a corresponding increase in number of full-time and contractual employees from 114 employees in Fiscal 2021 to 121 employees in Fiscal 2022.

#### ***Finance Cost***

Finance costs increased by 14.10% from ₹ 99.22 million in Fiscal 2021 to ₹ 113.22 million in Fiscal 2022. This increase is primarily attributable to an increase in interest on borrowing, by 52.78% from ₹ 47.39 million in Fiscal 2021 to ₹ 72.40 million in Fiscal 2022, on account of interest on packing credit. The increase was partially offset by a decrease in bank charges by 18.30% from ₹ 9.86 million in Fiscal 2021 to ₹ 8.06 million in Fiscal 2022 and a decrease in other borrowing costs by 23.65% from ₹ 41.97 million in Fiscal 2021 to ₹ 32.05 million in Fiscal 2022.

#### ***Depreciation and Amortization Expense***

Depreciation and amortization expense decreased by 10.53% from ₹ 24.31 million in in Fiscal 2021 to ₹ 21.75 million in Fiscal 2022, primarily due to a decrease in depreciation of property, plant and equipment by 15.32% from ₹ 23.82 million in Fiscal 2021 to ₹ 20.17 million in Fiscal 2022. This was partially offset by an increase in amortisation on intangible assets by 224.91% from ₹ 0.49 million in Fiscal 2021 to ₹ 1.58 million in Fiscal 2022.

#### ***Other Expenses***

Other expenses increased by 264.85% from ₹ 71.35 million in Fiscal 2021 to ₹ 260.31 million in Fiscal 2022. This was primarily due to an increase in:

- Net loss on foreign currency translation from ₹ nil million in Fiscal 2021 to ₹ 168.82 million in Fiscal 2022, on account of on account of foreign exchange fluctuations.
- Professional and consultancy fees, by 42.54% from ₹ 25.32 million in Fiscal 2021 to ₹ 36.09 million in Fiscal 2022.
- Rates and taxes, by 35.56% from ₹ 3.93 million in Fiscal 2021 to ₹ 5.33 million in Fiscal 2022.
- Insurance, by 164.12% from ₹ 1.30 million in Fiscal 2021 to ₹ 3.43 million in Fiscal 2022, on account of providing adequate insurance coverage coupled with an increase in marine insurance charges on account of increase in sales and purchases.

### **Profit before Exceptional Items and Tax**

For the reasons discussed above, profit before exceptional items and tax was ₹ 755.55 million in Fiscal 2022, as compared to ₹ 398.06 million in Fiscal 2021.

### **Tax Expenses**

Deferred tax charge was ₹ 2.59 million in Fiscal 2022, as compared to ₹ 2.17 million in Fiscal 2021; current tax charge was ₹ 132.02 million in Fiscal 2022, as compared to ₹ 104.65 million in Fiscal 2021. Total tax expense amounted to ₹ 99.47 million in Fiscal 2022, as compared to ₹ 102.48 million in Fiscal 2021.

### **Profit for the Year**

For the various reasons discussed above, we recorded a profit after tax for the year of ₹ 656.08 million in Fiscal 2022, as compared to ₹ 295.58 million in Fiscal 2021.

### **Total Comprehensive Income for the Period, Net of Tax**

Total comprehensive income/(loss) for the period was ₹ 655.87 million in Fiscal 2022, as compared to ₹ 296.16 million in Fiscal 2021.

### **Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)**

Adjusted EBITDA was ₹ 1,058.97 million in Fiscal 2022, compared to ₹ 324.76 million in Fiscal 2021, while Adjusted EBITDA margin was 9.42% in Fiscal 2022, compared to 4.75% in Fiscal 2021.

## **FISCAL 2021 COMPARED TO FISCAL 2020**

### **Income**

Total income increased by 46.86% from ₹ 4,652.29 million in Fiscal 2020 to ₹ 6,832.42 million in Fiscal 2021, primarily attributable to the following:

#### ***Revenue from Operations***

Revenue from operations increased by 42.71% from ₹ 4,492.62 million in Fiscal 2020 to ₹ 6,411.63 million in Fiscal 2021 attributable as follows:

- Sale of products increased by 44.64% from ₹ 4,410.10 million in Fiscal 2020 to ₹ 6,378.72 million in Fiscal 2021. This was driven by an increase of 65.71% in our system integration business from ₹ 3,717.65 million in Fiscal 2020 to ₹ 6,160.67 million in Fiscal 2021.
- Income from sale of services decreased by 70.81% from ₹ 15.76 million in Fiscal 2020 to ₹ 4.60 million in Fiscal 2021 on account of a decline in our job work services.
- Other operating revenue decreased by 57.59% from ₹ 66.76 million in Fiscal 2020 to ₹ 28.31 million in Fiscal 2021 on account of export incentive.

#### ***Other Income***

Other income increased by 163.54% from ₹ 159.67 million in Fiscal 2020 to ₹ 420.79 million in Fiscal 2021. This increase is primarily attributable to an increase in interest on fixed deposits, by 52.49% from ₹ 146.87 million in Fiscal 2020 to ₹ 223.96 million in Fiscal 2021; and an increase in income from foreign exchange fluctuation from nil in Fiscal 2020 to ₹ 196.05 million in Fiscal 2021.

### **Expenses**

Total expenses increased by 42.24% from ₹ 4,523.62 million in Fiscal 2020 to ₹ 6,434.36 million in Fiscal 2021. This was primarily due to an increase in cost of materials consumed and finance costs.

### ***Cost of Materials Consumed***

Cost of materials consumed increased by 53.17% from ₹ 4,311.78 million in Fiscal 2020 to ₹ 6,604.35 million in Fiscal 2021 and the increase is primarily driven by an increase in local purchases by 107.81% from ₹ 3,052.20 million in Fiscal 2020 to ₹ 6,342.74 million in Fiscal 2021 on account of an increase in revenue from operations from ₹ 4,492.62 million to ₹ 6,411.63 million. This was partially offset by a decrease in import purchases, by 37.36% from ₹ 1,734.79 million in Fiscal 2020 to ₹ 1,086.60 million in Fiscal 2021.

### ***Changes in Inventories of Finished Goods and Work-in-Progress***

Changes in inventories of finished goods, stock-in-trade and work-in-progress decreased by 80.51% from ₹ (232.49) million in Fiscal 2020 to ₹ (419.66) million in Fiscal 2021. This was primarily attributable to an increase in closing inventories by 143.34% from ₹ 292.77 million in Fiscal 2020 to ₹ 712.43 million in Fiscal 2021 on account of delivery schedules being pushed owing to shareholder dispute. For further information, see “*Promoter and Promoter Group – Change in the control of our Company*” and “*Risk Factors – Our Promoters will continue to collectively hold substantial shareholding in our Company and will continue to exercise significant influence over us after completion of the Offer*” on pages 226 and 41, respectively.

### ***Employee Benefits Expenses***

Employee benefit expenses decreased slightly by 2.11% from ₹ 55.97 million in Fiscal 2020 to ₹ 54.79 million in Fiscal 2021. This was due to a marginal decrease in salaries and wages (including bonus and incentives) by 4.11% from ₹ 53.10 million in Fiscal 2020 to ₹ 50.92 million in Fiscal 2021, on account of the COVID-19 pandemic which led to rationalisation of our expenditure budget, as certain planned manpower additions were put on hold. The decrease was marginally offset by an increase in staff welfare expenses by 77.46% from ₹ 1.42 million in Fiscal 2020 to ₹ 2.52 million in Fiscal 2021, on account of expenses incurred in terms of providing additional facilities to employees.

### ***Finance Cost***

Finance costs increased by 24.95% from ₹ 79.41 million in Fiscal 2020 to ₹ 99.22 million in Fiscal 2021. This increase is primarily attributable due to an increase in other borrowing costs, by 182.63% from ₹ 14.85 million in Fiscal 2020 to ₹ 41.97 million in Fiscal 2021 on account of issuance of a bank guarantee to receive advance from customers. The increase was partially offset by a decrease in interest on borrowings by 13.81% from ₹ 54.98 million in Fiscal 2020 to ₹ 47.39 million in Fiscal 2021, attributable to closure of an outstanding packing credit loan in foreign currency.

### ***Depreciation and Amortization Expense***

Depreciation and amortization expense increased by 76.66% from ₹ 13.76 million in Fiscal 2020 to ₹ 24.31 million in Fiscal 2021, primarily due to an increase in depreciation of property, plant and equipment by 186.99% from ₹ 8.30 million in Fiscal 2020 to ₹ 23.82 million in Fiscal 2021, on account of additional investments in our manufacturing facility. This was partially offset by a decrease in the amortization of right of use assets from ₹ 5.18 million in Fiscal 2020 to nil in Fiscal 2021, on account of surrender of our previously leased premises in Bengaluru, Karnataka on account of relocating to our current facility located at Hi-Tech Defence and Aerospace Park SEZ, Bengaluru, Karnataka.

### ***Other Expenses***



Other expenses decreased by 75.83% from ₹ 295.19 million in Fiscal 2020 to ₹ 71.35 million in Fiscal 2021. This was primarily due to a decrease in:

- Net loss on foreign currency translation from ₹ 242.96 million in Fiscal 2020 to nil in Fiscal 2021, on account of foreign exchange fluctuations.
- Wages and labour charges, decreased by 31.83% from ₹ 8.86 million in Fiscal 2020 to ₹ 6.04 million in Fiscal 2021, on account of reduction of use of contract labour during the Fiscal.
- Freight expenses, by 11.90% from ₹ 13.03 million in Fiscal 2020 to ₹ 11.48 million in Fiscal 2021, on account of cost optimisation.

This was partially offset by an increase in professional and consultancy fees by 177.63% from ₹ 9.12 million in Fiscal 2020 to ₹ 25.32 million in Fiscal 2021, on account of project execution consultancy charges for our system integration projects paid to an external agency; and an increase in other expenses by 167.67% from ₹ 6.62 million in Fiscal 2020 to ₹ 17.72 million in Fiscal 2021, on account of travel bills, hotel bills and unregistered dealers bills, amongst others that were ineligible for GST input.

### **Profit before Exceptional Items and Tax**

For the reasons discussed above, profit before exceptional items and tax was ₹ 398.06 million in Fiscal 2021, as compared to ₹ 128.67 million in Fiscal 2020.

### **Tax Expenses**

Deferred tax charge was ₹ 2.17 million in Fiscal 2021, as compared to ₹ 1.24 million in Fiscal 2020; Current tax charges amounted to ₹ 104.65 million in Fiscal 2021, as compared to ₹ 37.41 million in Fiscal 2020. Total tax expense amounted to ₹ 102.48 million in Fiscal 2021, as compared to ₹ 31.23 million in Fiscal 2020.

### **Profit for the Year**

For the various reasons discussed above, we recorded a profit after tax for the year of ₹ 295.58 million in Fiscal 2021, as compared to ₹ 97.44 million in Fiscal 2020.

### **Total Comprehensive Income for the Year, Net of Tax**

Total comprehensive income for the year was ₹ 296.16 million in Fiscal 2021, as compared to ₹ 97.18 million in Fiscal 2020.

### **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)**

Adjusted EBITDA was ₹ 324.76 million in Fiscal 2021 compared to ₹ 452.00 million in Fiscal 2020, while Adjusted EBITDA margin was 4.75% in Fiscal 2021 compared to 9.72 % in Fiscal 2020.

## **FINANCIAL CONDITION**

### **Assets**

Cash and cash equivalents includes cash on hand, cheques and drafts on hand, deposits held with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash and cash equivalent increased from ₹ 564.07 million as of March 31, 2020 to ₹ 858.83 million as of March 31, 2021 and to ₹ 1,884.79 million as of March 31, 2022 primarily due to an increase in current balance maintained with the banks from ₹ 564.07 million as of March 31, 2020 to ₹ 858.82 million as of March 31, 2021 and to ₹ 1,883.79 million as of March 31, 2022. Further, cash and cash equivalent increased from ₹ 199.34 million as of June 30, 2021 to ₹ 1,597.20 million as of June 30, 2022 primarily due to an increase in current balance maintained with the banks from ₹ 199.34 million as of June 30, 2021 to ₹ 1,597.14 million as of June 30, 2022.

Lien marked on bank deposits towards bank guarantees issued by lenders to our customers increased from ₹ 3,604.19 million as of March 31, 2020 to ₹ 4,106.81 million as of March 31, 2021 and to ₹ 5,000.89 million as of March 31, 2022 due to increase in bank guarantees from ₹ 2,284.09 million as of March 31, 2020 to ₹ 4,104.73

million as of March 31, 2021 and to ₹ 4,807.93 million as of March 31, 2022 on account of an increase in orders from our customers where bank guarantees were required. Further, lien marked on bank deposits towards bank guarantees issued by lenders to our customers increased from ₹ 4,708.14 million as of June 30, 2021 to ₹ 5,065.72 million as of June 30, 2022 due to increase in bank guarantees from ₹ 4,654.59 million to ₹ 4,849.21 million. Further, lien marked on bank deposits depends on the terms and conditions of each order from different customers. While some of the orders may require bank guarantee others may not. Hence, as a combination of the terms of each order, there will be variations in the bank guarantee and lien marked and will not be proportional to the order book.

Other cash collateral increased from ₹ nil as of March 31, 2020 to ₹ 530.00 million as of March 31, 2021 and to ₹ 1,120.00 million as of March 31, 2022 due to increase collateral provided to our lenders on account of an increase in sanctioned limits from ₹ 8,221.53 million as of March 31, 2020 to ₹ 8,352.23 million as of March 31, 2021 and ₹ 13,470.40 million as of March 31, 2022. Further, other cash collateral increased from ₹ 320.00 million as of June 30, 2021 to ₹ 1,120.00 million as of June 30, 2022 primarily due to an increase collateral provided to our lenders on account of an increase in sanctioned limits from ₹ 8,352.23 million as of June 30, 2021 to ₹ 15,700.84 million as of June 30, 2022.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically financed the expansion of our business and operations primarily through debt financing and funds generated from our operations. From time to time, we have obtained loan facilities to finance our short term working capital requirements.

## CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

| Particulars   | Fiscal       |                |            | Three months ended June 30, |                |
|---|--------------|----------------|------------|-----------------------------|----------------|
|   | 2020         | 2021           | 2022       | 2021                        | 2022           |
|   | (₹ million)  |                |            |                             |                |
|   | (Standalone) | (Consolidated) |            | (Standalone)                | (Consolidated) |
| Net cash flow from/(used in) operating activities         | 1,300.28     | 1,139.81       | (1,340.25) | (425.86)                    | (197.02)       |
| Net cash flows (used in)/from investing activities        | 84.04        | 210.65         | 207.98     | 57.43                       | 69.45          |
| Net cash flows (used in)/from financing activities        | 189.68       | (23.37)        | 3,642.17   | (251.84)                    | (92.74)        |
| Cash and cash equivalents at the end of the period / year | 4,166.24     | 5,493.33       | 8,003.23   | 4,873.06                    | 7,782.92       |

### Operating Activities

#### Three months ended June 30, 2022

In the three months ended June 30, 2022, net cash flows used in operating activities was ₹ 197.02 million. Net profit before tax was ₹ 64.71 million in the three months ended June 30, 2022. Primary adjustments consisted of interest income on fixed deposits of ₹ 69.90 million; interest on borrowings of ₹ 49.76 million; and depreciation of ₹ 4.59 million.

Operating profit before working capital changes was ₹ 49.16 million in the three months ended June 30, 2022. The main working capital adjustments in the three months ended June 30, 2022, included increase in receivables of ₹ 389.14 million; increase in inventories of ₹ 530.72 million; increase in other current assets of ₹ 41.92 million; decrease in other current financial assets of ₹ 47.54 million; increase in trade payables of ₹ 116.04 million; increase in other current financial liabilities of ₹ 5.85 million and increase in other current liabilities of ₹ 547.93 million.

#### Fiscal 2022

In Fiscal 2022, net cash flows used in operating activities was ₹ 1,340.25 million. Net profit before tax was ₹ 755.55 million in Fiscal 2022. Primary adjustments consisted of interest income on fixed deposits of ₹ 220.24 million; interest on borrowings of ₹ 72.40 million; and depreciation of ₹ 21.75 million.

Operating profit before working capital changes was ₹ 629.46 million in Fiscal 2022. The main working capital adjustments in Fiscal 2022, included increase in receivables of ₹ 571.80 million; increase in other current assets of ₹ 113.51 million; increase in other current financial assets of ₹ 20.14 million; decrease in inventories of ₹ 1,744.25 million; decrease in trade payables of ₹ 332.86 million; decrease in other current financial liabilities of ₹ 158.17 million and decrease in other current liabilities of ₹ 2,393.27 million.

### ***Fiscal 2021***

In the Fiscal 2021, net cash flows from operating activities was ₹ 1,139.81 million. Net profit before tax was ₹ 398.06 million in Fiscal 2021. Primary adjustments consisted of interest on fixed deposits of ₹ 223.96 million; interest on borrowings of ₹ 47.39 million; and depreciation of ₹ 24.31 million.

Operating profit before working capital changes was ₹ 245.99 million in Fiscal 2021. The main working capital adjustments in Fiscal 2021 included decrease in trade receivables of ₹ 756.57 million; increase in inventories of ₹ 1,244.65 million; decrease in other current assets of ₹ 859.43 million; decrease in trade payables of ₹ 209.00 million; increase in other current financial liabilities of ₹ 159.13 million and increase in other current liabilities of ₹ 600.35 million.

### ***Fiscal 2020***

In the Fiscal 2020, net cash flows from operating activities was ₹ 1,300.28 million. Net profit before tax was ₹ 128.67 million in Fiscal 2020. Primary adjustments consisted of interest on fixed deposits of ₹ 146.87 million; interest on borrowings of ₹ 54.98 million; and depreciation of ₹ 13.76 million.

Operating profit before working capital changes was ₹ 50.05 million in Fiscal 2020. The main working capital adjustments in Fiscal 2020 included decrease in trade receivables of ₹ 123.25 million; increase in inventories of ₹ 707.70 million; decrease in other current assets of ₹ 110.89 million; increase in trade payables of ₹ 767.09 million; and increase in other current liabilities of ₹ 1,004.52 million.

## **Investing Activities**

### ***Three months ended June 30, 2022***

Net cash flow from investing activities was ₹ 69.45 million in the three months ended June 30, 2022, primarily on account of purchase of property, plant and equipment of ₹ 0.45 million; and interest received of ₹ 69.90 million.

### ***Fiscal 2022***

Net cash flow from investing activities was ₹ 207.98 million in Fiscal 2022, primarily on account of purchase of property, plant and equipment of ₹ 16.16 million; proceeds on sale/maturity of financial assets of ₹ 3.90 million; and interest received of ₹ 220.24 million.

### ***Fiscal 2021***

Net cash flow from investing activities was ₹ 210.65 million in Fiscal 2021, primarily on account of purchase of property, plant and equipment of ₹ 15.84 million; proceeds on sale/maturity of financial assets of ₹ 1.53 million; investments of mutual funds of ₹ 1.00 million; and interest received of ₹ 223.96 million.

### ***Fiscal 2020***

Net cash flow from investing activities was ₹ 84.04 million in Fiscal 2020, primarily on account of purchase of property, plant and equipment of ₹ 102.83 million; investments of mutual funds ₹ 40.00 million; and interest received of ₹ 146.87 million.

## **Financing Activities**

### **Three months ended June 30, 2022**

Net cash flows used in financing activities was ₹ 92.74 million in the three months ended June 30, 2022, primarily on account of decrease in borrowings of ₹ 42.98 million and interest paid of ₹ 49.76 million.

### **Fiscal 2022**

Net cash flows from financing activities was ₹ 3,642.17 million in Fiscal 2022, primarily on account of an increase in borrowings of ₹ 3,662.40 million; infusion of equity share capital of ₹ 52.17 million and interest paid of ₹ 72.40 million.

### **Fiscal 2021**

Net cash flows used in financing activities was ₹ 23.37 million in Fiscal 2021, primarily on account of interest paid of ₹ 47.39 million. This was partially offset from the proceeds from working capital facilities of ₹ 24.02 million.

### **Fiscal 2020**

Net cash flows from financing activities was ₹ 189.68 million in Fiscal 2020, primarily on account of proceeds from working capital facilities of ₹ 250.19 million. This was partially offset by interest paid of ₹ 54.98 million; principal lease amount of ₹ 4.00 million; and interest on lease amount of ₹ 1.53 million.

## **INDEBTEDNESS**

We have historically financed the expansion of our business and operations primarily through debt financing, equity funding and funds generated from our operations. From time to time, we may obtain loan facilities to finance our short term working capital requirements.

As of June 30, 2022, we had total borrowings (consisting of non-current borrowings and current borrowings) of ₹ 4,983.22 million. Our total debt/ equity ratio was 4.05 as of June 30, 2022.

The following table sets forth certain information relating to our outstanding indebtedness as of June 30, 2022, and our repayment obligations in the periods indicated:

| Particulars                  | As of June 30, 2022   |                       |               |               |                   |
|------------------------------|-----------------------|-----------------------|---------------|---------------|-------------------|
|                              | Payment due by period |                       |               |               |                   |
|                              | (₹ million)           |                       |               |               |                   |
|                              | Total                 | Not later than 1 year | 1-3 years     | 3 -5 years    | More than 5 years |
| Current Borrowings           |                       |                       |               |               |                   |
| Packing credit facility      | 4,628.82              | 4,628.82              | Nil           | Nil           | Nil               |
| Total Current Borrowings     | 4,628.82              | 4,628.82              | Nil           | Nil           | Nil               |
| Non-Current Borrowings       |                       |                       |               |               |                   |
| Working capital term loan    | 354.40                | Nil                   | 147.61        | 177.13        | 29.66             |
| Total Non-Current Borrowings | 354.40                | Nil                   | 147.61        | 177.13        | 29.66             |
| <b>Total Borrowings</b>      | <b>4,983.22</b>       | <b>4,628.82</b>       | <b>147.61</b> | <b>177.13</b> | <b>29.66</b>      |

## **CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ARRANGEMENTS**

As of June 30, 2022, our contingent liabilities that have not been accounted for in our financial statements were as follows:

| Particulars     | Amount<br>(₹ million) |
|-----------------|-----------------------|
|                 | (Consolidated)        |
| Bank guarantees | 4,849.21              |
| <b>Total</b>    | <b>4,849.21</b>       |

For further information on our contingent liabilities, see “*Restated Financial Information – Contingent liabilities, contingent assets and commitments – Note 34*” on page 275.

Except as disclosed in the Restated Financial Information or elsewhere in this Red Herring Prospectus, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

We do not have any long-term commitments or material non-cancellable contractual commitments/contracts, including derivative contracts for which there were any material foreseeable losses.

### CAPITAL EXPENDITURES

In Fiscal 2020, 2021 and 2022, and in the three months ended June 30, 2021 and June 30, 2022, our capital expenditure towards additions (after disposal and adjustments) to fixed assets (property, plant and equipment’s and intangible assets) were ₹ 102.83 million, ₹ 15.84 million, ₹ 16.16 million, ₹0.24 million and ₹ 0.45 million, respectively. The following table sets forth our fixed assets for the periods indicated:

| Particulars              | Fiscal 2020   | Fiscal 2021   | Fiscal 2022    | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|--------------------------|---------------|---------------|----------------|----------------------------------|----------------------------------|
|                          | (Standalone)  |               | (Consolidated) | (Standalone)                     | (Consolidated)                   |
|                          | (₹ million)   |               |                |                                  |                                  |
| Plant and Equipment      | 127.02        | 116.12        | 107.94         | 111.54                           | 104.08                           |
| Capital Work in Progress | -             | -             | -              | -                                | -                                |
| Rights of use            | 38.10         | 38.10         | 38.10          | 38.10                            | 38.10                            |
| Other intangible assets  | 0.88          | 1.78          | 0.48           | 1.58                             | 0.20                             |
| <b>Total</b>             | <b>166.00</b> | <b>156.00</b> | <b>146.52</b>  | <b>151.22</b>                    | <b>142.37</b>                    |

### RELATED PARTY TRANSACTIONS

We enter into various transactions with related parties in the ordinary course of business. These transactions principally include remuneration paid to KMPs, purchases of PCBAs, sale of cable and wire harness and export of cable and wire harness, equipment purchase and import of varieties of connectors, wires, sleeves, back shelf required for cable and wire harness.

In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022 the aggregate amount of such related party transactions was ₹ 380.58 million, ₹ 4,296.77 million, ₹ 2,865.82 million, ₹ 124.07 million and ₹ 571.59 million, respectively. For further information relating to our related party transactions, see “*Restated Financial Information – Note 36*” on page 276.

### AUDITOR’S OBSERVATIONS

Our Statutory Auditors have included certain emphasis of matters in their examination report:

#### **March 31, 2020**

“*Emphasis of matter paragraph has been included for year 19-20 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to*

*regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**March 31, 2021**

*“Emphasis of matter paragraph has also been included for year 20-21 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**March 31, 2022**

*“Emphasis of matter paragraph has also been included for year 21-22 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**June 30, 2021**

*“Emphasis of matter paragraph has also been included for fiscal three months ended June 30, 2021 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**June 30, 2022**

*“Emphasis of matter paragraph has also been included for fiscal three months ended June 30, 2022 for the spread of COVID-19, which has severely impacted business around the globe. In many countries including India, there has been severe disruption to regular business operations due to lockdown, disruptions in transportation, supply chain, travel bans, social distancing and other emergency measures. The situation continues to be uncertain.”*

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our activities expose us to market risk, liquidity risk and credit risk. Our board of directors has overall responsibility for the establishment and oversight of our risk management framework.

***Credit Risk***

Credit risk is the risk of financial loss to our Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our Company’s receivables from customers.

Our Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, our management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, our Company uses expected credit loss model to assess impairment loss or gain. Our Company uses a matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account available external and internal credit risk factors and Company's historical experience for customers.

Our Company has not made any provision on expected credit loss on trade receivables and other financials assets, based on the management estimates.

We believe that credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by domestic credit rating agencies.

***Liquidity Risk***

Liquidity risk is the risk that our Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Our approach to managing liquidity is to ensure, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our Company's reputation.

Our treasury department is responsible for liquidity and funding. In addition policies and procedures relating to such risks are overseen by our management.

Our Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from the operations.

For further information, please see "*Restated Financial Information – Note 37*" on page 277.

#### ***Market Risk***

Market risk is the risk that changes with market prices – such as foreign exchange rates and interest rates, will affect our Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

For further information, please see "*Restated Financial Information – Note 37*" on page 277.

#### ***Foreign Currency Risk***

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Company transacts business in its functional currency (Indian Rupees) and in other foreign currencies. Our Company's exposure to the risk of changes in foreign exchange rates relates primarily to our Company's operating activities, where revenue or expense is denominated in a foreign currency.

For further information, please see "*Restated Financial Information – Note 37*" on page 277.

#### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our Company's debt obligations with floating interest rates. We manage our interest rates by selection of appropriate type of borrowings and by negotiation with bankers.

For further information, please see "*Restated Financial Information – Note 37*" on page 277.

### **CHANGES IN ACCOUNTING POLICIES**

There have been no changes in our accounting policies during Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022.

### **UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS**

Except as described in this Red Herring Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

### **SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR ARE LIKELY TO AFFECT INCOME FROM CONTINUING OPERATIONS**

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" on pages 301 and 27, respectively.

## **KNOWN TRENDS OR UNCERTAINTIES**

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in *“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operations and Financial Condition”* and the uncertainties described in *“Risk Factors”* on pages 301 and 27, respectively. To our knowledge, except as discussed in this Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

## **FUTURE RELATIONSHIP BETWEEN COST AND INCOME**

Other than as described in *“Risk Factors”*, *“Our Business”* and *“Management’s Discussion and Analysis of Financial Condition and Results of Operations”* on pages 27, 163 and 299, respectively, to our knowledge there are no known factors that may adversely affect our business prospects, results of operations and financial condition.

## **NEW PRODUCTS OR BUSINESS SEGMENTS**

Except as set out in this Red Herring Prospectus, we have not announced and do not expect to announce in the near future any new business segments.

## **COMPETITIVE CONDITIONS**

We operate in a competitive environment. See *“Our Business”*, *“Industry Overview”* and *“Risk Factors”* on pages 163, 119 and 27, respectively, for further information on competitive conditions that we face across our various business verticals.

## **EXTENT TO WHICH MATERIAL INCREASES IN NET SALES OR REVENUE ARE DUE TO INCREASED SALES VOLUME, INTRODUCTION OF NEW PRODUCTS OR SERVICES OR INCREASED SALES PRICES**

Changes in revenue in the three months ended June 30, 2022 and June 30, 2021 and the last three Fiscals are as described in *“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Three months ended June 30, 2022 compared to three months ended June 30, 2021”*, *“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Fiscal 2022 compared to Fiscal 2021”* and *“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Fiscal 2021 compared to Fiscal 2020”* above on pages 319, 321 and 323, respectively.

## **SEGMENT REPORTING**

Our Company is exclusively engaged in the business of manufacturing of electronic sub-systems and cable harness for both international and domestic aerospace and defence sector. These in the context of the Ind AS 108 Operating Segment, are considered to constitute one single primary segment.

For further information, see *“Restated Financial Information – Note 44”* on page 290.

## **SIGNIFICANT DEVELOPMENTS AFTER JUNE 30, 2022 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS**

Except as disclosed above and elsewhere in this Red Herring Prospectus, to our knowledge no circumstances have arisen since June 30, 2022, that could materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.



## SECTION VI - LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as stated below there are no outstanding (i) criminal proceedings; (ii) actions by statutory or regulatory authorities; (iii) outstanding claims relating to direct and indirect taxes; and (iv) other pending litigation/arbitration proceedings as determined to be material by our Board pursuant to the materiality policy (as disclosed herein below) involving our Company, Subsidiary, Directors, or Promoters. Further there are no litigation involving our Group Companies which has a material impact on our Company. Further, except as stated in this section, there are no disciplinary actions including penalties imposed by SEBI or stock exchanges against our Promoters in the last five Financial Years including any outstanding action.*

*For the purposes of (iv) above in terms of the materiality policy adopted by a resolution of our Board dated March 21, 2022 (“Materiality Policy”):*

*Any pending litigation or arbitration proceedings (other than litigations mentioned in point (i) to (iii) above) involving our Company, Subsidiary, Directors and Promoters shall be considered “material” for the purposes of disclosure in this Red Herring Prospectus, if:*

- (a) the aggregate monetary claim made by or against our Company, Subsidiary, Directors and/or Promoters (individually or in aggregate), in any such pending litigation / arbitration proceeding is equal to or in excess of 1% of profit after tax of the Company, in the most recently completed fiscal year as per the Restated Financial Information, which is ₹ 6.56 million; or*
- (b) any such litigation wherein a monetary liability is not quantifiable, or which does not fulfil the threshold as specified in (i) above, but the outcome of which could, nonetheless, have a material adverse effect on the business, operations, performance, prospects, financial position, or reputation of the Company.*

*have been considered “material” and accordingly have been disclosed in this Red Herring Prospectus.*

*For the purposes of the above, pre-litigation notices received by the Company, Subsidiary, Directors, Promoters or Group Companies (collectively the “Relevant Parties”) from third parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action) shall, unless otherwise decided by the Board of Directors, not be considered a material litigation until such time that the Relevant Party is impleaded as a defendant in proceedings before any judicial / arbitral forum.*

*Further, in accordance with the Materiality Policy, our Company has considered such creditors ‘material’ to whom the amount due is equal to or in excess of 4% of the total trade payables of our Company as of the end of the latest period included in the Restated Financial Information. The trade payables of our Company as on June 30, 2022, was ₹ 1,081.17 million. Accordingly, a creditor has been considered ‘material’ if the amount due to such creditor exceeds ₹ 43.25 million as on June 30, 2022.*

*Unless stated to the contrary, the information provided below is as of the date of this Red Herring Prospectus. All terms defined in a particular litigation disclosure below are for that particular litigation only.*

#### **Litigation involving our Company**

##### ***Litigation against our Company***

##### **A. Outstanding criminal proceedings**

NIL

##### **B. Actions initiated by regulatory or statutory authorities**

Our Company has filed a compounding application before the Regional Director (South-East Region at Hyderabad), Ministry of Corporate Affairs, Government of India (“**Regional Director**”), on December 25, 2021, for non-compliance of section 96 of the provisions of the Companies Act read with applicable rules. Our Company was not able to hold its annual general meeting for the financial year ended March 31, 2020, within the due date *i.e.*, December 31, 2020. Further, the Regional Director pursuant to its order

dated April 11, 2022, compounded the non-compliance of section 96 of the Companies Act, 2013, read with relevant rules made thereunder and levied compounding fees of ₹ 350,000, constituting (i) compounding fee of ₹ 200,000 levied on the Company; (ii) compounding fee of ₹ 100,000 levied on Neal Jeremy Castleman, Non – Independent and Non – Executive Director of the Company; and (iii) compounding fee of ₹ 50,000 levied on Dr. H.S. Raghavendra Rao, Chairman and Managing Director of the Company. The Company and Directors have submitted the compounding fees with the Regional Director.

C. *Outstanding material civil litigation*

NIL

***Litigation by our Company***

A. *Outstanding criminal proceedings*

NIL

B. *Outstanding material civil litigation*

NIL

**Litigation involving our Subsidiary**

***Litigation against our Subsidiary***

A. *Outstanding criminal proceedings*

NIL

B. *Actions initiated by regulatory or statutory authorities*

NIL

C. *Outstanding material civil litigation*

NIL

***Litigation by our Subsidiary***

A. *Outstanding criminal proceedings*

NIL

B. *Outstanding material civil litigation*

NIL

**Litigation involving our Promoters**

As on the date of this Red Herring Prospectus, there are no outstanding civil, criminal or tax litigations involving our Promoters. Further, no actions have been initiated against our Promoters by any regulatory/ statutory authorities and there are no disciplinary actions including penalties imposed by the SEBI or the stock exchanges against our Promoters in the last five financial years including any outstanding action.

**Outstanding litigation involving our Group Companies which has a material impact on our Company**

As on the date of this Red Herring Prospectus, our Group Companies are not party to any pending litigation which will have a material impact on our Company.

## Litigation involving our Directors

As on the date of this Red Herring Prospectus, there are no outstanding civil, criminal or tax litigations involving our Directors. Further, no actions have been initiated against our Directors by any regulatory/ statutory authorities.

## Tax Proceedings

Except as disclosed below, there are no outstanding tax proceedings involving our Company, Subsidiary, Directors or Promoter.

(in ₹ million)

| Nature of cases   | Number of cases | Amount involved |
|-------------------|-----------------|-----------------|
| <b>Company</b>    |                 |                 |
| Direct Tax        | 1               | 1.41            |
| Indirect Tax      | NIL             | NIL             |
| <b>Subsidiary</b> |                 |                 |
| Direct Tax        | NIL             | NIL             |
| Indirect Tax      | NIL             | NIL             |
| <b>Directors</b>  |                 |                 |
| Direct Tax        | NIL             | NIL             |
| Indirect Tax      | NIL             | NIL             |
| <b>Promoters</b>  |                 |                 |
| Direct Tax        | NIL             | NIL             |
| Indirect Tax      | NIL             | NIL             |
| <b>Total</b>      | <b>NIL</b>      | <b>NIL</b>      |

## Outstanding dues to Creditors

As per the Materiality Policy, creditors to whom an amount exceeding ₹43.25 million, which is 4 % of the total trade payables of our Company as of the end of the latest period included in the Restated Financial Information, were considered 'material' creditors. Based on the above, there are two material creditors of our Company as on June 30, 2022, to whom an aggregate amount of ₹ 1,017.24 million was outstanding. Based on this criterion, details of outstanding dues (trade payables) owed to micro, small and medium enterprises (as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006), and other creditors, as at June 30, 2022 by our Company, are set out below:

| S. No. | Type of creditors  | Number of creditors    | Amount involved (in ₹ million) |
|--------|--|------------------------|--------------------------------|
| 1      | Outstanding dues to micro, small and medium enterprises                  | Material creditor (A1) | 570.23                         |
|        |  | Non-material creditor  | 26.85                          |
|        | <b>Total outstanding dues to micro, small and medium enterprises (A)</b> | <b>88</b>              | <b>597.08</b>                  |
| 2      | Outstanding dues to other creditors                                      | Material creditor (B1) | 447.01                         |
|        |  | Non-material creditor  | 37.08                          |
|        | <b>Total outstanding dues to other creditors (B)</b>                     | <b>16</b>              | <b>484.09</b>                  |
|        | <b>Total creditors (C) (C = A + B)</b>                                   | <b>104</b>             | <b>1,081.17</b>                |
|        | <b>Total material creditors (D) (D = A1 + B1)</b>                        | <b>2</b>               | <b>1,017.24</b>                |

The details pertaining to outstanding overdues towards our material creditors are available on the website of our Company at <https://dxcindia.com/investors>.

## Material Developments

Other than as stated in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Significant Developments After June 30, 2022 That May Affect Our Future Results Of Operations" on page 332, there have not arisen, since the date of the last financial information disclosed in this Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our operations, our profitability taken as a whole or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months.

## GOVERNMENT AND OTHER APPROVALS

*We have set out below an indicative list of approvals obtained by our Company which are considered material and necessary for the purpose of undertaking its business activities. In view of these material approvals, our Company can undertake the Offer, and our Company can undertake its business activities. Other than as stated below, no further material approvals from any regulatory authority are required to undertake the Offer or continue such business activities. In addition, certain of our material approvals may have expired or may expire in the ordinary course of business, from time to time and our Company has either already made an application to the appropriate authorities for renewal of such material approvals or is in the process of making such renewal applications. In relation to the business activities and operations of our Company we have disclosed below the material approvals applied for but not received. For details in connection with the applicable regulatory and legal framework within which we operate, see section “Key Regulations and Policies” on page 191.*

### I. Approvals relating to the Offer

For the approvals and authorisations obtained by our Company and the Promoter Selling Shareholders in relation to the Offer, see “Other Regulatory and Statutory Disclosures – Authority for the Offer” on page 340.

### II. Incorporation details of our Company

- (i). Certificate of incorporation dated December 16, 2011, issued by the registrar of companies to our Company, in the name of ‘DCX Cable Assemblies Private Limited’.
- (ii). Fresh certificate of incorporation dated January 3, 2022, pursuant to change of name from “DCX Cable Assemblies Private Limited” to “DCX Systems Private Limited”.
- (iii). Fresh certificate of incorporation consequent upon conversion from private company to public company dated February 18, 2022, issued by RoC pursuant to change of name to ‘DCX Systems Limited’.

### III. Tax related approvals

- (i). Permanent account number AAECD0685R, issued by the Income Tax Department, Government of India.
- (ii). Tax deduction account number BLRD08166E, issued by the Income Tax Department, Government of India.
- (iii). The Import Export code is 0711031487, issued by the Directorate General of Foreign Trade.
- (iv). Our Company has obtained GST identification number 29AAECD0685R2ZW under the applicable provisions of the GST legislations applicable in the state of Karnataka.
- (v). Professional tax registration number 326463730 in the State of Karnataka.

### IV. Labour related approvals

- (i). Registration for employees’ provident fund with the Employees’ Provident Fund Organization under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 with code number PYKRP0052865000.
- (ii). Registration for employees’ insurance with the relevant regional office of the Employees State Insurance Corporation under the Employees’ State Insurance Act, 1948 with code number 53000321080000699.

### V. Material approvals in relation to our business

*Approvals in relation to manufacturing facility*

- (i) Factory license dated April 21, 2022, and issued from January 1, 2020, under the Factories Act, 1948 by the Department of Factories, Boilers, Industrial Safety and Health <sup>(1)</sup>
- (ii) Industrial license dated November 23, 2015, issued under the Industrial (Development and Regulation) Act, 1951 read with rule 7 of the Registration and Licensing of Industrial Undertaking Rules, 1952 by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India\*<sup>(2)</sup>
- (iii) Allotment letter dated August 23, 2017, granting 1.50 acres of land located at Plot #29, 30 & 107 (Aerospace SEZ Sector), Hitech, Aerospace and Defence Park, Devanahalli issued by the Karnataka Industrial Area Development Board (“**KIADB**”) \*
  - Letter of approval dated November 22, 2017 issued by the Office of the Development Commissioner, Cochin Special Economic Zone (“**CSEZ**”) authorizing the setting up and operating of a factory service/ unit at Unit-I, Plot #29, 30 & 107 (Aerospace SEZ Sector), Hitech, Aerospace and Defence Park, Devanahalli (“**LOA-I**”) read with the letter extending the validity of approval dated March 26, 2020 and the bond cum legal undertaking executed by our Company on June 7, 2022 for the extended period of validity of the letter of approval as per rule 22 of the SEZ Rules, 2006 <sup>(3)#</sup>
  - Letter of approval dated December 13, 2019 issued by the Office of the Development Commissioner, CSEZ authorizing the setting up and operating of a factory service/ unit at Unit-II, Plot #29, 30 & 107 (Aerospace SEZ Sector), Hitech, Aerospace and Defence Park, Devanahalli (“**LOA-II**”) read with the letter extending the validity of approval dated March 26, 2020 and the bond cum legal undertaking executed by our Company on June 7, 2022 for the extended period of validity of the letter of approval as per rule 22 of the SEZ Rules, 2006 <sup>(4)#</sup>
- (iv) Occupancy certificate dated January 20, 2020, issued by KIADB\*
- (v) Certificate of stability dated September 20, 2019, issued under Rule 3(8) of the Karnataka Factories Rules, 1969\*
- (vi) Possession certificate dated October 7, 2017, issued by KIADB\*
- (vii) Approval for water connection to the manufacturing facility dated May 29, 2019, issued by KIADB\*
- (viii) Approval of Electrical installation pertaining to 500kVA, 11kV/433V HT Transformer Substation dated November 21, 2019, issued under the Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations 2010 by the Electrical Inspectorate, Government of Karnataka\*
- (ix) Approval of Drawing Pertaining to the Electrical Installation – 1x500kVA 11kV/433V HT Transformer Substation dated October 10, 2019, issued under the Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations 2010 by the Electrical Inspectorate, Government of Karnataka\*
- (x) Approval for arranging power supply to an extant 350 KVA to HT installation dated August 6, 2019, issued under the Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations 2010 by the Bangalore Electricity Supply Company Limited<sup>##</sup>
- (xi) Approval of Electrical installation pertaining to 1x200kVA & 1x62.5kVA 415V DG Sets in an 500kVA HT Transformer Substation dated December 17, 2019, issued under the Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations 2010 by the Electrical Inspectorate, Government of Karnataka\*
- (xii) Approval of Drawing Pertaining to the Electrical Installation – 1x200kVA 1x62.5kVA 415V DG Set in an 1x500kVA HT Transformer Substation dated December 3, 2019, issued under the Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations 2010 by the Electrical Inspectorate, Government of Karnataka\*
- (xiii) Certification from DQS Inc for the implementation of the quality management system in accordance with AS9100:2016 and ISO 9001:2015. <sup>\*(5)</sup>
- (xiv) Certification from DQS Inc for the implementation of the electrostatic discharge control program in accordance with ANSI ESD S20.20-2014 <sup>(6)</sup>
- (xv) Combined consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974 and emission under Air (Prevention and Control of Pollution) Act, 1981 dated January 29, 2022 (as revised by corrigendum to the consent order dated April 4, 2022 pursuant to the change of name in the Company), issued by the Karnataka State Pollution Control Board. <sup>(7)</sup>

*#Office of the Development Commissioner, CSEZ, vide its letter dated April 28, 2022, has accorded approval for the change of name our Company pursuant to its conversion from a private limited company to a public limited company in respect of LOA-I and LOA-II*

*## The Bangalore Electricity Supply Company Limited has accorded approval dated April 18, 2022 for the change in the name of our Company from DCX Cable Assemblies Private Limited to. DCX Systems Limited in its records*

- (1) Factory license dated February 1, 2022, is valid till December 31, 2024.*
- (2) A license has been obtained from the Central Government for the manufacture of 'microwave components and modules for radar and EW subsystems, microwave submodules for command and guidance units for command and guidance units for missile subsystems only', of which a copy is open to public inspection at the head office of our Company. It must be distinctly understood that, in granting this license, the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.*
- (3) LOA-I is valid from March 1, 2020, till February 28, 2025.*
- (4) LOA-II is valid from March 1, 2020, till February 28, 2025.*
- (5) Certification from DQS Inc for the implementation of the quality management system is valid till November 14, 2024.*
- (6) Certification from DQS Inc for the implementation of the electrostatic discharge control program is valid till March 15, 2023.*
- (7) Combined consent for discharge of effluents is valid till December 31, 2035.*

*Product-related approvals\* ^*

- (i) Grant of Authorisation number EA/2019/408-D(EPC) dated June 21, 2019, for export of Munitions List Items to IAI Elta Systems Limited, Israel for ultimate end use by the Indian Government issued by the Ministry of Defence*
- (ii) Grant of Authorisation number DDP-C0003/232/2018-D(EPC) (Serial Number 107) dated July 24, 2018, for export of Munitions List Items to Israel Aerospace Industries Limited, Israel, for end use of Indian Defense Forces issued by the Ministry of Defence*
- (iii) Grant of Authorisation number DDP-C0003/240/2018-D(EPC) (Serial Number 106) dated July 24, 2018, for export of Munitions List Items to Israel Aerospace Industries Limited, Israel, for end use of Indian Defense Forces issued by the Ministry of Defence*
- (iv) Grant of Authorisation number DDP-C0003/231/2018-D(EPC) (Serial Number 105) dated July 24, 2018, for export of Munitions List Items to Israel Aerospace Industries Limited, Israel, for end use of Indian Defense Forces issued by the Ministry of Defence*
- (v) Grant of Authorisation -C0003/291/2017-D(EPC) (Serial Number 200) dated January 11, 2018, for export of Munitions List Items to Israel Aerospace Industries Limited, Israel, for end use of Indian Air Force and Navy issued by the Ministry of Defence*
- (vi) Grant of Authorisation number DPP-C0003/346/2018-D(EPC) (Serial Number 247) dated September 27, 2018, for export of Munitions List Items to IAI Elta Systems Limited, Israel, issued by the Ministry of Defence*
- (vii) Grant of Authorisation number EA/ 2019/417-D(EPC) for export of Munitions List Items to IAI Elta Systems Limited, Israel for ultimate end use of Indian Defence Forces dated June 27, 2019, issued by the Ministry of Defence*
- (viii) Grant of Authorisation number EA/ 2019/419-D(EPC) for export of Munitions List Items to IAI Elta Systems Limited, Israel for ultimate end use of Indian Defence Forces dated June 27, 2019, issued by the Ministry of Defence*
- (ix) Grant of Authorisation number EA/2019/425-D(EPC) for export of Munitions List Items to IAI Elta Systems Limited, Israel, dated July 2, 2019, for ultimate end use of Indian Defence Forces, issued by the Ministry of Defence*
- (x) Grant of Authorisation number EA/2019/435-D(EPC) for export of Munitions List Items to IAI Elta Systems Limited, Israel, dated July 5, 2019, for ultimate end use of Indian Defence Forces, issued by the Ministry of Defence*
- (xi) Grant of Authorisation number EA/ 2019/738-D(EPC) for export of Munitions List Items to IAI Elta Systems Limited, Israel for ultimate end use of Indian Navy, Army and Air Force dated November 4, 2019, issued by the Ministry of Defence*
- (xii) Grant of Authorisation number EA/2022/2906-D(EPC) for export of Munitions List Items to IAI Elta Systems Limited, Israel, dated January 24, 2022, issued by the Ministry of Defence*
- (xiii) Grant of Authorisation number EA/2022/2907-D(EPC) for export of Munitions List Items to IAI Elta Systems Limited, Israel, dated January 24, 2022, issued by the Ministry of Defence*

*^ Product related approvals obtained by the Company are valid for a period of two years from the date of its*

*issuance or completion of order, whichever is later. All the orders for which product approvals have been obtained by the Company are under process and therefore, all the product related approvals are valid as on date of this Red Herring Prospectus.*

**VI. Material approvals applied for but not received**

As on the date of this Red Herring Prospectus, there are no material approvals applied for which has not been received by our Company.

**VII. Material approvals to be applied**

As on the date of this Red Herring Prospectus, there are no material approvals which are to be applied for by our Company.

**VIII. Intellectual Property Rights**

As of the date of this Red Herring Prospectus, our Company does not have any registered trademarks. Further, we do not own the brand name 'DCX'. Pursuant to a no objection letter dated November 14, 2011, DCX-Chol Enterprises, Inc., one of our Group Companies, the owner of the trademark, has allowed us to use the brand name to incorporate our Company. For details, see "*Risk Factors - We do not own the brand name 'DCX'. We use the brand name 'DCX' pursuant to a no objection letter received from DCX-Chol Enterprises, Inc. In the event that we have to discontinue the use of the of brand name 'DCX' or the logo, it may adversely affect our business and financial condition.*" on page 33.

*\* The name of our Company was changed to 'DCX Systems Private Limited' pursuant to a special resolution dated November 24, 2021, passed by our shareholders and a fresh certificate of incorporation consequent upon change of name issued by the RoC on January 3, 2022. Further, consequent upon conversion into a public limited company under the Companies Act, 2013 and pursuant to a special resolution passed by our Shareholders on February 2, 2022, and fresh certificate of incorporation dated February 18, 2022, issued by the RoC, the name of our Company was changed to "DCX Systems Limited". Our Company has filed and is in process of filing the applications with relevant statutory and regulatory authorities for reflecting the change of name of the Company, pursuant to its change of name from "DCX Cable Assemblies Private Limited" to "DCX Systems Private Limited" and pursuant to its conversion from a private limited company to a public limited company.*

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Offer

#### *Corporate Approvals*

The Fresh Issue has been authorised pursuant to the resolutions passed by the Board dated March 21, 2022, and the special resolution passed by the Shareholders under section 62 (1) (c) of the Companies Act, 2013 dated March 21, 2022. The Offer has been authorised pursuant to the resolutions passed by the Board and the Shareholders' on March 21, 2022, as well as by the IPO Committee on March 30, 2022, September 21, 2022, October 8, 2022 and October 13, 2022. Further, the Board has taken on record the approval of the Offer for Sale by the Promoter Selling Shareholders pursuant to its resolutions dated March 21, 2022, and our IPO Committee has taken on record the approval for the Offer for Sale by the Promoter Selling Shareholders, pursuant to its resolution dated September 21, 2022, and October 8, 2022. The Board and the IPO Committee has approved the Draft Red Herring Prospectus pursuant to resolutions dated March 30, 2022, and April 4, 2022, respectively. Further, the IPO Committee has approved this Red Herring Prospectus pursuant to resolution dated October 19, 2022.

#### *Approvals from the Promoter Selling Shareholders*

Each of the Promoter Selling Shareholders, severally and not jointly, have authorised and confirmed their respective participation in the Offer for Sale as stated below. The Equity Shares being offered for sale by the Promoter Selling Shareholders have been held for a period of at least one year immediately preceding the date of the Draft Red Herring Prospectus or are otherwise eligible for being offered for sale pursuant to the Offer in terms of the SEBI ICDR Regulations. For more details, see “*Capital Structure*” beginning on page 84.

| Sr. No. | Name of Promoter Selling Shareholders | Equity Shares offered in the Offer for Sale (Amount in ₹ million) | Date of board resolution/authorization letter           | Date of consent letter                                  |
|---------|---------------------------------------|---|---|---|
| 1.      | NCBG Holdings Inc.                    | Up to 500.00  | March 21, 2022  | March 21, 2022  |
| 2.      | VNG Technology Private Limited        | Up to 500.00  | March 21, 2022, September 17, 2022, and October 7, 2022 | March 21, 2022, September 17, 2022, and October 7, 2022 |

#### *In-principle Listing Approvals*

Our Company has received in-principle approvals from BSE and NSE for the listing of our Equity Shares pursuant to letters, each dated May 23, 2022.

### Prohibition by SEBI, RBI or Governmental Authorities

Our Company, Directors, and each of the Promoter Selling Shareholders are not prohibited from accessing the capital markets or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

### Directors associated with the Securities Market

None of our Directors are associated with entities associated with securities market in any manner. No action has been initiated by SEBI against Directors in the five years preceding the date of this Red Herring Prospectus.

Further, none of our Directors and Promoters are in the defaulters list of SEBI.

### Compliance with the Companies (Significant Beneficial Owners) Rules, 2018

Our Company, each of the Promoters, and members of the Promoter Group, severally and not jointly, confirm that they are in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, as amended (“**SBO Rules**”), to the extent applicable to each of them, as on the date of this Red Herring Prospectus.

### Confirmation in relation to RBI circular dated July 1, 2016

Neither our Company, nor any of our Promoters or Directors have been declared as fraudulent borrowers by the lending banks or financial institution or consortium, in terms of the Master Directions on Frauds – Classification



and Reporting by commercial banks and select FIs dated July 1, 2016, as amended, issued by the Reserve Bank of India.

### **Eligibility for the Offer**

Our Company is eligible for the Offer in accordance with Regulation 6(2) of the SEBI ICDR Regulations which states the following:

*“An issuer not satisfying the condition stipulated in sub-regulation (1) shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy five per cent of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.”*

We are an unlisted company that does not satisfy the conditions specified in Regulation 6(1) of the SEBI ICDR Regulations and are therefore required to meet the conditions stipulated under Regulation 6(2) of the SEBI ICDR Regulations. We undertake to comply with Regulation 6(2) of the SEBI ICDR Regulations and Allot at least 75% of the Offer to QIBs and in the event that we fail to do so, the full application monies shall be refunded to the Bidders, in accordance with the SEBI ICDR Regulations.

Our Company confirms that it is in compliance with the conditions specified in Regulation 7(1) of the SEBI ICDR Regulations, to the extent applicable, and will ensure compliance with the conditions specified in Regulation 7(2) of the SEBI ICDR Regulations, to the extent applicable.

Further, in accordance with Regulation 49(1) of the SEBI ICDR Regulations, our Company shall ensure that the number of Allottees under the Offer shall be not less than 1,000, failing which, the entire application money will be refunded forthwith.

Further, our Company confirms that it is not ineligible to make the Offer in terms of Regulation 5 of the SEBI ICDR Regulations, to the extent applicable. Our Company is in compliance with the conditions specified in Regulation 5 of the SEBI ICDR Regulations, as follows:

- (a) Our Company, Directors, Promoters, members of Promoter Group, or any of the Promoter Selling Shareholders are not debarred from accessing the capital markets by the SEBI.
- (b) Our Promoters or Directors are not promoters or directors of companies which are debarred from accessing the capital markets by the SEBI.
- (c) Our Company, Directors or Promoters have not been declared Wilful Defaulters or Fraudulent Borrowers.
- (d) None of our Directors, or Dr. H.S. Raghavendra Rao, our Individual Promoter is declared as a Fugitive Economic Offender.
- (e) There are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into, or any other right which would entitle any person any option to receive Equity Shares, as on the date of this Red Herring Prospectus.

Each of the Promoter Selling Shareholders has, severally and not jointly, confirmed its compliance with Regulation 8 of the SEBI ICDR Regulations.

Further, each of the Promoter Selling Shareholders confirms compliance with and will comply with the conditions specified in Regulation 8A of the SEBI ICDR Regulations, to the extent applicable.

### **DISCLAIMER CLAUSE OF SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, BEING EDELWEISS FINANCIAL**

**SERVICES LIMITED, AXIS CAPITAL LIMITED AND SAFFRON CAPITAL ADVISORS PRIVATE LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS AND EACH OF THE PROMOTER SELLING SHAREHOLDERS WILL BE RESPONSIBLE, ONLY FOR THE STATEMENTS SPECIFICALLY CONFIRMED OR UNDERTAKEN BY IT IN THE DRAFT RED HERRING PROSPECTUS AND THIS RED HERRING PROSPECTUS IN RELATION TO ITSELF AND FOR ITS RESPECTIVE PORTION OF THE OFFERED SHARES, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR COMPANY AND THE PROMOTER SELLING SHAREHOLDERS DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED APRIL 4, 2022 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SEBI ICDR REGULATIONS.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS AND THIS RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE OUR COMPANY FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS AND THIS RED HERRING PROSPECTUS.**

All applicable legal requirements pertaining to the Offer will be complied with at the time of filing this Red Herring Prospectus with the RoC in terms of Section 32 of the Companies Act. All applicable legal requirements pertaining to the Offer will be complied with at the time of registration of the Prospectus with the RoC in terms of Sections 26, 30, 32, 33(1) and 33(2) of the Companies Act.

**Disclaimer from our Company, our Directors, the Promoter Selling Shareholders, the BRLMs**

Our Company, our Directors, the Promoter Selling Shareholders, the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website (i.e., [www.dcxindia.com](http://www.dcxindia.com)), would be doing so at his or her own risk. It is clarified that neither the Promoter Selling Shareholders, nor their respective directors, affiliates, associates and officers, accept and/or undertake any responsibility for any statements made or undertakings provided other than those made or undertaken by such Promoter Selling Shareholder in relation to itself and/or the Equity Shares offered by it through the Offer for Sale.

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement and the Underwriting Agreement to be entered into among the Underwriters, the Promoter Selling Shareholders and our Company.

All information shall be made available by our Company, each of the Promoter Selling Shareholders, severally and not jointly (to the extent that the information pertain to its and its respective portions of the Offered Shares) and the BRLMs to the investors and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

Investors who Bid in the Offer will be required to confirm and will be deemed to have represented to our Company, the Promoter Selling Shareholders, the Underwriters and their respective directors, partners, designated partners, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Promoter Selling Shareholders, the Underwriters and their respective directors, partners, designated partners, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The BRLMs and their respective associates and affiliates, in their capacity as principals or agents, may engage in transactions with, and perform services for, our Company, the Promoter Selling Shareholders, their respective group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Company, the Promoter Selling Shareholders, and their respective group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

#### **Disclaimer in respect of Jurisdiction**

Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Bengaluru, India.

This Offer is being made in India to persons resident in India, who are competent to contract under the Indian Contract Act, 1872, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorized to invest in equity shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to permission from the RBI), systemically important non-banking financial companies or trusts under the applicable trust laws, and who are authorized under their respective constitutions to hold and invest in equity shares, state industrial development corporations, public financial institutions as specified under Section 2(72) of the Companies Act, venture capital funds, permitted insurance companies registered with IRDAI and pension funds and, to permitted non-residents including NRIs, AIFs, FPIs and QIBs, that are eligible under all applicable laws and regulations to purchase Equity Shares. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus, nor any offer or sale hereunder, shall, under any circumstances, create any implication that there has been no change in our affairs or in the affairs of the Promoter Selling Shareholders from the date hereof or that the information contained herein is correct as of any time subsequent to this date. This Red Herring Prospectus does not constitute an invitation to subscribe to or purchase the Equity Shares in the Offer in any jurisdiction, including India. Invitations to subscribe to or purchase the Equity Shares in the Offer will be made only pursuant to this Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises this Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India.

Invitations to subscribe to or purchase the Equity Shares in the Offer will be made only pursuant to this Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises this Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India. **No person outside India is eligible to bid for Equity Shares in the Offer unless that person has received the preliminary offering memorandum for the Offer, which contains the selling restrictions for the Offer outside India.**

**The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**Until the expiry of 40 days after the commencement of the Offer, an offer or sale of the Equity Shares within the United States by a dealer (whether or not it is participating in the Offer) may violate the registration requirements of the U.S. Securities Act unless made pursuant to available exemptions from the registration**

**requirements of the U.S. Securities Act and in accordance with applicable state securities laws in the United States.**

**Disclaimer Clause of BSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to our Company, post scrutiny of the Draft Red Herring Prospectus is set forth below:

“BSE Limited (“the Exchange”) has given vide its letter dated May 23, 2022, permission to this Company to use the Exchange’s name in this offer document as one of the stock exchanges on which this company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: -

- a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- b) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever”

**Disclaimer Clause of NSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to our Company, post scrutiny of the Draft Red Herring Prospectus, is set forth below:

“As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref.: NSE/LIST/1629 dated May 23, 2022, permission to the Issuer to use the Exchange’s name in this Offer Document as one of the Stock Exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

**Listing**

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on BSE and NSE. Applications will be made to the Stock Exchanges for obtaining permission to deal in and for an official quotation of the Equity Shares being issued and sold in the Offer and BSE is the Designated Stock Exchange, with which the Basis of Allotment will be finalised.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, our Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus in accordance with applicable law. The Promoter Selling Shareholders, severally and not jointly, confirm that they shall extend such reasonable co-operation as may be requested by our Company and the BRLMs, to the extent such assistance is required from such Promoter Selling Shareholder in relation to its respective Offered Shares for the completion of the necessary formalities for listing and commencement of trading

of the Equity Shares at the Stock Exchanges within six Working Days from the Bid/Offer Closing Date, or within such other period as may be prescribed.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading of Equity Shares at the Stock Exchanges are taken within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed by the SEBI.

If our Company does not allot Equity Shares pursuant to the Offer within six Working Days from the Bid/Offer Closing Date or within such timeline as prescribed by the SEBI, it shall repay without interest all monies received from Bidders, failing which interest shall be due to be paid to the Bidders at the rate of 15% per annum for the delayed period. However, the respective Promoter Selling Shareholders shall not be liable to pay and / or reimburse any expenses towards refund or any interest thereon in respect to Allotment of their respective proportion of the Offered Shares or otherwise, unless the failure or default or delay, as the case may be, is solely and directly on account of such Promoter Selling Shareholder and such liability shall be several and not joint, and limited to the extent of their respective Offered Shares.

### **Consents**

Consents in writing of: the Promoter Selling Shareholders, our Directors, our Chief Financial Officer, our Company Secretary and Compliance Officer, the legal counsels appointed for the Offer, the Bankers to our Company, F&S, RBSA Valuation Advisors LLP, the Statutory Auditors, the BRLMs, chartered engineer and Registrar to the Offer, the Monitoring Agency, the Syndicate Member, Bankers to the Offer including the Escrow Bank, Public Offer Account Bank, Sponsor Banks and Refund Bank have been obtained to act in their respective capacities. Further, such consents, have not been withdrawn up to the time of delivery of this Red Herring Prospectus with SEBI.

### **Expert to the Offer**

Except as stated below, our Company has not obtained any expert opinions:

Our Company has received written consent dated September 20, 2022 from our Statutory Auditor, M/s NBS & Co., Chartered Accountants, who holds a valid peer review certificate, to include its name as required under Section 26 of the Companies Act 2013 read with the SEBI ICDR Regulations in this Red Herring Prospectus, and as an “expert”, as defined under Section 2(38) of the Companies Act 2013 to the extent and in their capacity as the statutory auditor of our Company and in respect of the examination report of the Statutory Auditor on the Restated Financial Information dated September 16, 2022 and the statement of special tax benefits dated September 20, 2022 included in this Red Herring Prospectus and such consent has not been withdrawn as on the date of this Red Herring Prospectus. The term “experts” and consent thereof does not represent an expert or consent within the meaning under the U.S. Securities Act.

Our Company has received written consent dated September 20, 2022 from RBSA Valuation Advisors LLP, to include their name, as required under Section 26 of the Companies Act, 2013, in this Red Herring Prospectus and as an ‘expert’ under Section 2(38) of Companies Act, 2013 in respect of the techno economic viability report dated March 23, 2022, together with the addendum to the techno economic viability report dated September 20, 2022 and such consent has not been withdrawn as on the date of this Red Herring Prospectus.

Additionally, our Company has received written consent dated April 4, 2022 from Deepak N, chartered engineer, Proprietor of Nagson Engineers & Consultants, to include his name as required under section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, in this RHP, and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 to the extent and in his capacity as an chartered engineer with respect to the certificates issued by him in relation to the details of manufacturing facility of our Company.

The above-mentioned consents have not been withdrawn as on the date of this Red Herring Prospectus.

### **Particulars regarding public or rights issues during the last five years**

There have been no public issues, including any rights issues to the public undertaken by our Company during the five years preceding the date of this Red Herring Prospectus. Other than as disclosed in “*Capital Structure - Notes to the Capital Structure*” on page 84, our Company has not undertaken any rights issues in the five years immediately preceding the date of this Red Herring Prospectus.

### **Commission or brokerage on previous issues in the last five years**

Since this is the initial public offering of the Equity Shares of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure public subscription for any of the Equity Shares in the five years preceding the date of this Red Herring Prospectus.

#### Capital issues in the preceding three years by our Company

Except as disclosed in “*Capital Structure - Notes to the Capital Structure*” on page 84, our Company has not made any capital issue during the three years preceding the date of this Red Herring Prospectus.

#### Capital issues in the preceding three years by listed group companies, subsidiary and associates of our Company

Our Company does not have any Subsidiary, Group Companies or associates that is listed on any stock exchange.

#### Performance vis-à-vis objects – Public/ rights issue of our Company

Our Company has not undertaken any public issues, including any rights issues to the public in the five years preceding the date of this Red Herring Prospectus. Other than as disclosed in “*Capital Structure - Notes to the Capital Structure*” on page 84, our Company has not undertaken any rights issues in the five years immediately preceding the date of this Red Herring Prospectus. The objects for which the rights issue was undertaken by our Company have been achieved without any delay or shortfall.

#### Performance vis-à-vis Objects - Public/rights issue of the listed subsidiary or listed Promoter of our Company

Neither our Corporate Promoters nor our Subsidiary is listed on any stock exchange.

#### Price information of past issues handled by the Book Running Lead Managers

##### Edelweiss Financial Services Limited

##### 1. Price information of past issues handled by Edelweiss Financial Services Limited.

| S. No | Issue Name                                | Issue Size (₹ million) # | Issue price (₹) | Listing Date       | Opening Price on Listing Date (in ₹) | +/- % change in closing price, +/- % change in closing benchmark]- 30th calendar days from listing | +/- % change in closing price, +/- % change in closing benchmark]- 90th calendar days from listing | +/- % change in closing price, +/- % change in closing benchmark]- 180th calendar days from listing |
|-------|---|--------------------------|-----------------|--------------------|--------------------------------------|--|--|---|
| 1.    | Vedant Fashions Limited                   | 31,491.95                | 866.00          | February 16, 2022  | 935.00                               | 3.99% [-0.20%]   | 14.53% [-8.54%]  | 37.67% [2.17%]  |
| 2.    | MedPlus Health Services Limited           | 13,982.95                | 796.00@         | December 23, 2021  | 1,015.00                             | 53.22% [3.00%]   | 23.06% [1.18%]   | -6.55% [-9.98%]   |
| 3.    | Tarsons Products Limited                  | 10,234.74                | 662.00\$        | November 26, 2021  | 700.00                               | -4.16% [0.03%]   | -4.46% [0.22%]   | 0.20% [-5.35%]  |
| 4.    | S. J. S. Enterprises Limited              | 8,000.00                 | 542.00          | November 15, 2021  | 542.00                               | -24.99% [-4.33%]   | -29.33% [-4.06%]   | -30.67% [-12.85%]   |
| 5.    | Vijaya Diagnostic Centre Limited          | 18,942.56                | 531.00*         | September 14, 2021 | 540.00                               | 5.41% [4.50%]  | 8.08% [0.76%]  | -20.59% [-4.31%]  |
| 6.    | Aptus Value Housing Finance India Limited | 27,800.52                | 353.00          | August 24, 2021    | 333.00                               | -2.82% [5.55%]   | -0.82% [6.86%]   | 0.64% [3.92%]   |
| 7.    | Devyani International Limited             | 18,380.00                | 90.00           | August 16, 2021    | 140.90                               | 32.83% [4.93%]   | 78.39% [9.30%]   | 97.17% [4.90%]  |
| 8.    | Powergrid Infrastructure                  | 77,349.91                | 100.00          | May 14, 2021       | 104.00                               | 14.00% [7.64%]   | 22.04% [10.93%]  | 21.83% [22.94%]   |

|     |                              |           |        |                  |        |                 |                 |                  |
|-----|------------------------------|-----------|--------|------------------|--------|-----------------|-----------------|------------------|
|     | Investment Trust             |           |        |                  |        |                 |                 |                  |
| 9.  | Macrotech Developers Limited | 25,000.00 | 486.00 | April 19, 2021   | 439.00 | 30.19% [-4.68%] | 75.62% [10.85%] | 146.92% [27.86%] |
| 10. | Stove Kraft Limited          | 4,126.25  | 385.00 | February 5, 2021 | 467.00 | 30.70% [-0.64%] | 28.96% [-4.05%] | 114.38% [6.09%]  |

Source: www.nseindia.com and www.bseindia.com

\*Vijaya Diagnostic Centre Limited - A discount of ₹ 52 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹531 per equity share

Starsons Products Limited - A discount of ₹ 61 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹662 per equity share.

@MedPlus Health Services Limited - A discount of ₹ 78 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹796 per equity share.

#As per Prospectus

#### Notes

1. Based on date of listing.
2. % of change in closing price on 30<sup>th</sup> / 90<sup>th</sup> / 180<sup>th</sup> calendar day from listing day is calculated vs issue price. % change in closing benchmark index is calculated based on closing index on listing day vs closing index on 30<sup>th</sup>/ 90<sup>th</sup> / 180<sup>th</sup> calendar day from listing day.
3. Wherever 30<sup>th</sup>/ 90<sup>th</sup> / 180<sup>th</sup> calendar day from listing day is a holiday, the closing data of the previous trading day has been considered.
4. Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information and benchmark index.
5. Not Applicable. – Period not completed
6. Disclosure in Table-1 restricted to 10 issues.

#### 2. Summary statement of price information of past issues handled by Edelweiss Financial Services Limited.

| Fiscal Year * | Total no. of IPOs | Total amount of funds raised (₹ Mn.)# | No. of IPOs trading at discount - 30 <sup>th</sup> calendar days from listing |                |               | No. of IPOs trading at premium - 30 <sup>th</sup> calendar days from listing |                |               | No. of IPOs trading at discount - 180 <sup>th</sup> calendar days from listing |                |               | No. of IPOs trading at premium - 180 <sup>th</sup> calendar days from listing |                |               |
|---------------|-------------------|---------------------------------------|---|----------------|---------------|--|----------------|---------------|--|----------------|---------------|---|----------------|---------------|
|               |                   |                                       | Over 50%  | Between 25-50% | Less than 25% | Over 50%   | Between 25-50% | Less than 25% | Over 50%   | Between 25-50% | Less than 25% | Over 50%  | Between 25-50% | Less than 25% |
| 2022-23       | -                 | -                                     | -   | -              | -             | -  | -              | -             | -  | -              | -             | -   | -              | -             |
| 2021-22       | 9                 | 2,31,182.63                           | -   | -              | 3             | 1  | 2              | 3             | -  | 1              | 2             | 2   | 1              | 3             |
| 2020-21       | 7                 | 45,530.35                             | -   | -              | 1             | 3  | 1              | 2             | -  | -              | 1             | 5   | 1              | -             |

The information is as on the date of the document

1. Based on date of listing.
2. Wherever 30<sup>th</sup> and 180<sup>th</sup> calendar day from listing day is a holiday, the closing data of the previous trading day has been considered.
3. Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information and benchmark index.

\*For the financial year 2021-22- 9 issues have been completed of which 5 issues have completed 180 calendar days.

#As per Prospectus

### Axis Capital Limited

#### 1. Price information of past issues handled by Axis Capital Limited.

| Sr. No. | Issue name                             | Issue size (₹ millions) | Issue price (₹) | Listing date       | Opening price on listing date (in ₹) | +/- % change in closing price, +/- % change in closing benchmark]-30th calendar days from listing | +/- % change in closing price, +/- % change in closing benchmark]-90th calendar days from listing | +/- % change in closing price, +/- % change in closing benchmark]-180th calendar days from listing |
|---------|--|-------------------------|-----------------|--------------------|--------------------------------------|---|---|--|
| 1       | Harsha Engineers International Limited | 7,550.00                | 330.00          | September 26, 2022 | 450.00                               | -   | -   | -  |

|    |   |            |        |                    |          |                   |         |           |  |  |  |         |          |
|----|---|------------|--------|--------------------|----------|-------------------|---------|-----------|--|--|--|---------|----------|
|    | (formerly known as Harsha Engineers International Private Limited and Harsha Abakus Solar Private Limited) <sup>(2)</sup> |            |        |                    |          |                   |         |           |  |  |  |         |          |
| 2  | Tamilnad Mercantile Bank Limited <sup>(1)</sup>   | 8,078.40   | 510.00 | September 15, 2022 | 510.00   | -8.43%, [-3.36%]  |         | -         |  |  |  |         |          |
| 3  | Paradeep Phosphates Limited <sup>(1)</sup>  | 15,017.31  | 42.00  | May 27, 2022       | 43.55    | -10.24%, [-3.93%] | +27.50% | [+7.65%]  |  |  |  |         |          |
| 4  | Prudent Corporate Advisory Services Limited <sup>(1)</sup>  | 4,282.84   | 630.00 | May 20, 2022       | 660.00   | -20.71%, [-5.46%] | -2.10%  | [+10.92%] |  |  |  |         |          |
| 5  | Life Insurance Corporation of India <sup>(1)</sup>  | 205,572.31 | 949.00 | May 17, 2022       | 867.20   | -27.24%, [-3.27%] | -28.12% | [+9.47%]  |  |  |  |         |          |
| 6  | Vedant Fashions Limited <sup>(2)</sup>  | 31,491.95  | 866.00 | February 16, 2022  | 935.00   | +3.99%, [-0.20%]  | +14.53% | [-8.54%]  |  |  |  | +37.67% | [+2.17%] |
| 7  | CMS Info Systems Limited <sup>(1)</sup>   | 11,000.00  | 216.00 | December 31, 2021  | 218.50   | +21.99%, [-1.81%] | +25.35% | [+0.74%]  |  |  |  | +3.75%  | [-8.71%] |
| 8  | Supriya Lifescience Limited <sup>(1)</sup>  | 7,000.00   | 274.00 | December 28, 2021  | 425.00   | +78.61%, [-0.07%] | +72.12% | [-0.92%]  |  |  |  | +20.36% | [-8.93%] |
| 9  | Medplus Health Services Limited <sup>(1)</sup>  | 13,982.95  | 796.00 | December 23, 2021  | 1,015.00 | +53.22%, [+3.00%] | +23.06% | [+1.18%]  |  |  |  | -6.55%  | [-9.98%] |
| 10 | Metro Brands Limited <sup>(1)</sup>   | 13,675.05  | 500.00 | December 22, 2021  | 436.00   | +21.77%, [+4.45%] | +14.57% | [+0.64%]  |  |  |  | +7.93%  | [-9.78%] |

Source: [www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com)

<sup>(1)</sup>BSE as Designated Stock Exchange

<sup>(2)</sup>NSE as Designated Stock Exchange

<sup>3</sup>Offer Price was ₹ 299.00 per equity share to Eligible Employees

<sup>4</sup>Offer Price was ₹ 571.00 per equity share to Eligible Employees

<sup>5</sup>Offer Price was ₹ 904.00 per equity share to Retail Individual Bidders and Eligible Employees and ₹ 889.00 per equity share to Eligible Policyholders

<sup>6</sup>Offer Price was ₹ 718.00 per equity share to Eligible Employees

Notes:

- Issue Size derived from Prospectus/final post issue reports, as available.
- The CNX NIFTY or S&P BSE SENSEX is considered as the Benchmark Index as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable.
- Price on NSE or BSE is considered for all of the above calculations as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable.
- In case 30th/90th/180th day is not a trading day, closing price of the previous trading day has been considered.
- Since 30 calendar days, 90 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available

## 2. Summary statement of price information of past issues handled by Axis Capital Limited.

| Financial Year | Total no. of IPOs | Total funds raised (in Millions) | Nos. of IPOs trading at discount on as on 30th calendar days from listing date |                 |               | Nos. of IPOs trading at premium on as on 30th calendar days from listing date |                 |               | Nos. of IPOs trading at discount as on 180th calendar days from listing date |                 |               | Nos. of IPOs trading at premium as on 180th calendar days from listing date |                 |               |
|----------------|-------------------|----------------------------------|--|-----------------|---------------|---|-----------------|---------------|--|-----------------|---------------|---|-----------------|---------------|
|                |                   |                                  | Over 50%   | Between 25%-50% | Less than 25% | Over 50%  | Between 25%-50% | Less than 25% | Over 50%   | Between 25%-50% | Less than 25% | Over 50%  | Between 25%-50% | Less than 25% |
|                |                   |                                  | 2022-2023*   | 5               | 2,40,500.86   | -   | 1               | 3             | -  | -               | -             | -   | -               | -             |
| 2021-2022      | 25                | 609,514.77                       | -  | 2               | 6             | 6   | 5               | 6             | 3  | 4               | 3             | 5   | 3               | 7             |
| 2020-2021      | 11                | 93,028.90                        | -  | -               | 6             | 2   | 1               | 2             | -  | 1               | 1             | 4   | 3               | 2             |

\* The information is as on the date of the document

The information for each of the financial years is based on issues listed during such financial year.

Note: Since 30 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

## Saffron Capital Advisors Private Limited

### 1. Price information of past issues handled by Saffron Capital Advisors Private Limited.

Nil

### 2. Summary statement of price information of past issues handled by Saffron Capital Advisors Private Limited

Nil



### Track record of past issues handled by the BRLMs

For details regarding the track record of the BRLMs, as specified in circular reference CIR/MIRSD/1/2012 dated January 10, 2012, issued by SEBI, see the websites of the BRLMs, as set forth in the table below:

| S. No. | Name of the BRLM                         | Website                |
|--------|--|------------------------|
| 1.     | Edelweiss Financial Services Limited     | www.edelweissfin.com   |
| 2.     | Axis Capital Limited                     | www.axiscapital.co.in  |
| 3.     | Saffron Capital Advisors Private Limited | www.saffronadvisor.com |

### Stock market data of the Equity Shares

This being the initial public offering of the Equity Shares of our Company, the Equity Shares are not listed on any stock exchange as on the date of this Red Herring Prospectus, and accordingly, no stock market data is available for the Equity Shares.

### Mechanism for redressal of investor grievances

The Registrar Agreement provides for retention of records with the Registrar to the Offer for a period of at least eight years from the date of listing and commencement of trading of the Equity Shares pursuant to the Offer, or such other period as may be prescribed under applicable law to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances in relation to the Bidding process, other than of Anchor Investors, may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or First Bidder, Bid cum Application Form number, Bidder DP ID, Client ID, UPI ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder. Further, the Bidder shall also enclose a copy of the Acknowledgment Slip duly received from the concerned Designated Intermediary in addition to the information mentioned hereinabove.

In terms of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018 and SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and SEBI circular BI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and subject to applicable law any ASBA Bidder whose Bid has not been considered for Allotment, due to failure on the part of any SCSB, shall have the option to seek redressal of the same by the concerned SCSB within three months of the date of listing of the Equity Shares. SCSBs are required to resolve these complaints within 15 days, failing which the concerned SCSB would have to pay interest at the rate of 15% per annum for any delay beyond this period of 15 days. Further, the investors shall be compensated by the SCSBs at the rate higher of ₹ 100 or 15% per annum of the application amount in the events of delayed or withdrawal of applications, blocking of multiple amounts for the same UPI application, blocking of more amount than the application amount, delayed unblocking of amounts for the stipulated period. In an event there is a delay in redressal of the investor grievance, the BRLMs shall compensate the investors at the rate higher of ₹ 100.00 or 15% per annum of the application amount. For helpline details of the BRLMs pursuant to SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, see “*General Information- Book Running Lead Managers*” on page 76. Further, in terms of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the Book Running Lead Managers, and such application shall be made only after (i) unblocking of application amounts for each application received by the SCSB has been fully completed, and (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

The processing fees for applications made by UPI Bidders may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI Circular No: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021 read with SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022.

Anchor Investors are required to address all grievances in relation to the Offer to the BRLMs.

Further, the Bidder shall also enclose a copy of the Acknowledgment Slip duly received from the concerned Designated Intermediary in addition to the information mentioned hereinabove.

The Registrar to the Offer shall obtain the required information from the SCSBs for addressing any clarifications or grievances of ASBA Bidders.

Our Company, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with their obligations under applicable SEBI ICDR Regulations.

Investors can contact the Company Secretary and the Compliance Officer, the BRLMs or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, non-credit of allotted Equity Shares in the respective beneficiary account, non-receipt of refund intimations or non-receipt of funds by electronic mode.

#### **Disposal of investor grievances by our Company**

Our Company estimates that the average time required by our Company or the Registrar to the Offer for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has obtained the authentication on the SCORES in terms of SEBI circular (CIR/OIAE/1/2013) dated April 17, 2013, the SEBI circular (CIR/OIAE/1/2014CIR/OIAE/1/2013) dated December 18, 2014, and the SEBI circular (SEBI/HO/OIAE/IGRD/CIR/P/2021/642) dated October 14, 2021 in relation to redressal of investor grievances through SCORES.

Our Company has appointed Nagaraj R Dhavaskar, as the Company Secretary, Legal and Compliance Officer of our Company, and he may be contacted in case of any pre-Offer or post-Offer related problems. For details, see “*General Information- Company Secretary, Legal and Compliance Officer*” on page 76.

Each of the Promoter Selling Shareholders have, severally and not jointly, authorised the Company Secretary and Compliance Officer of the Company, and the Registrar to the Offer to redress any complaints received from Bidders in respect of the Offer for Sale.

Further, our Board has constituted a Stakeholders’ Relationship Committee, which is responsible for redressal of grievances of the security holders of our Company. For more information, see “*Our Management - Corporate governance- Committees of the Board - Stakeholders Relationship Committee*” on page 216. Our Company has not received any investor complaint during the three years preceding the date of this Red Herring Prospectus. Further, no investor complaint in relation to our Company is pending as on the date of this Red Herring Prospectus.

#### **Exemption from complying with any provisions of securities laws, if any, granted by SEBI**

The Company has not sought for any exemptions from complying with any provisions of securities laws from the SEBI.

## SECTION VII - OFFER RELATED INFORMATION

### TERMS OF THE OFFER

The Equity Shares offered and Allotted in the Offer will be subject to the provisions of the Companies Act, 2013, the SEBI ICDR Regulations, the SCRA, the SCRR, the Memorandum of Association, the Articles of Association, the SEBI Listing Regulations, the terms of this Red Herring Prospectus and the Prospectus, the Bid cum Application Form, the Revision Form, the CAN, the abridged prospectus and other terms and conditions as may be incorporated in the Allotment Advices and other documents and certificates that may be executed in respect of the Offer. The Equity Shares will also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to issue and offer for sale and listing and trading of securities, issued from time to time, by SEBI, Government of India, Stock Exchanges, the RoC, RBI and/or other authorities to the extent applicable or such other conditions as maybe prescribed by such governmental and/or regulatory authority while granting approval for the Offer.

#### The Offer

The Offer comprises a Fresh Issue by our Company and an Offer for Sale by the Promoter Selling Shareholders. Expenses for the Offer shall be shared amongst our Company and each of the Promoter Selling Shareholders in the manner specified in “*Objects of the Offer – Offer Expenses*” on page 109.

#### Ranking of Equity Shares

The Equity Shares being offered and Allotted in the Offer will be subject to the provisions of the Companies Act, 2013, the Memorandum of Association and the Articles of Association and will rank *pari passu* in all respects with the existing Equity Shares of our Company, including in respect of dividends and other corporate benefits, if any, declared by our Company. For more information, see “*Main Provisions of the Articles of Association*” on page 382.

#### Mode of payment of dividend

Our Company will pay dividend, if declared, to the Shareholders, as per the provisions of the Companies Act, 2013, the SEBI Listing Regulations, the Memorandum of Association and the Articles of Association, and any guidelines or directives that may be issued by the Government of India in this respect. Any dividends declared by our Company after the date of Allotment (including pursuant to the transfer of Equity Shares from the Offer for Sale) in this Offer will be received by the Allottees in accordance with applicable law. For more information, see “*Dividend Policy*” and “*Main Provisions of the Articles of Association*” on pages 232 and 382, respectively.

#### Face value, Offer Price and Price Band

The face value of each Equity Share is ₹ 2.00. At any given point of time, there will be only one denomination for the Equity Shares. The Floor Price of the Equity Shares is ₹ [•] and the Cap Price of the Equity Shares is ₹ [•]. The Anchor Investor Offer Price is ₹ [•] per Equity Share.

The Price Band and the minimum Bid Lot will be decided by our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers, and shall be advertised at least two Working Days prior to the Bid/Offer Opening Date, in all editions of Financial Express (a widely circulated English national daily newspaper), all editions of Jansatta (a widely circulated Hindi national daily newspaper) and the Bangalore edition of Vishwavani (a widely circulated Kannada daily newspaper, Kannada being the regional language of Karnataka, where our Registered and Corporate Office is situated), and shall be made available to the Stock Exchanges for the purpose of uploading on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price shall be pre-filled in the Bid cum Application Forms available at the website of the Stock Exchanges.

The Offer Price shall be determined by our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers, after the Bid/Offer Closing Date.

#### Compliance with disclosure and accounting norms

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

### **Rights of the equity Shareholders**

Subject to applicable law and the Articles of Association, the equity Shareholders will have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy or e-voting;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive any surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- Right of free transferability of their Equity Shares, subject to applicable foreign exchange regulations and other applicable law; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act, 2013, the terms of the SEBI Listing Regulations and the Memorandum of Association and Articles of Association and other applicable laws.

For a detailed description of the main provisions of the Articles of Association relating to voting rights, dividend, forfeiture, lien, transfer, transmission, consolidation and splitting, see “*Main Provisions of the Articles of Association*” on page 382.

### **Allotment only in dematerialised form**

Pursuant to Section 29 of the Companies Act, 2013, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form.

In this context, two agreements have been signed amongst our Company, the respective Depositories and the Registrar to the Offer:

- Tripartite Agreement dated February 8, 2022, among NSDL, our Company and the Registrar to the Offer.
- Tripartite Agreement dated February 4, 2022, among CDSL, our Company and Registrar to the Offer.

### **Market lot and trading lot**

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in the Offer will be only in dematerialised form in multiples of [•] Equity Shares, subject to a minimum Allotment of [•] Equity Shares. For the method of the Basis of Allotment, see “*Offer Procedure*” on page 360.

### **Joint holders**

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-tenants with benefits of survivorship.

### **Nomination facility**

In accordance with Section 72 of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, as amended, the sole or First Bidder, with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, will vest, to the exclusion of all other person, unless the nomination is verified or cancelled in the prescribed manner. A person, being a nominee entitled to the Equity Shares by reason of the death of the original holder(s), will, in accordance with Section 72 of the Companies Act, 2013, be entitled to the same benefits to which he or she will be entitled if he or she were the registered holder of the Equity Shares. Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of the holder’s death during minority. A nomination shall stand rescinded upon a sale or transfer of Equity Shares by the holder of such Equity Shares. A nomination may be cancelled, or varied by nominating any other person in place of the present nominee,

by the holder of the Equity Shares who has made the nomination, by giving a notice of such cancellation or variation to our Company in the prescribed form. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form, which is available on request at the Registered and Corporate Office or with the registrar and transfer agent of our Company.

Further, any person who becomes a nominee by virtue of Section 72 of the Companies Act, 2013, will, on the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividend, interests, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder will prevail. If Bidders want to change their nomination, they are advised to inform their respective Depository Participant.

#### **Bid/Offer Period**

|   |   |
|---|---|
| <b>BID/OFFER OPENS ON*</b>  | Monday, October 31, 2022                |
| <b>BID/OFFER CLOSES ON</b>  | Wednesday, November 2, 2022             |
| <b>FINALISATION OF THE BASIS OF ALLOTMENT</b>                         | On or about Monday, November 7, 2022    |
| <b>INITIATION OF REFUNDS/UNBLOCKING OF FUNDS FROM ASBA ACCOUNTS**</b> | On or about Wednesday, November 9, 2022 |
| <b>CREDIT OF EQUITY SHARES TO DEPOSITORY ACCOUNTS</b>                 | On or about Thursday, November 10, 2022 |
| <b>COMMENCEMENT OF TRADING</b>  | On or about Friday, November 11, 2022   |

\* Our Company, acting through the IPO Committee, in consultation with the Book Running Lead Managers, may consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Offer Opening Date.

\*\* In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated in accordance with applicable law. Further, investors shall be entitled to compensation in the manner specified in the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI Circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI Circular No: SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2022/76 dated May 30, 2022, which for avoidance of doubt, shall be deemed to be incorporated in the deemed agreement of the Company with the SCSBs to the extent applicable and in case of delays in resolving investor grievances in relation to blocking/unblocking of funds.

The above timetable is indicative in nature and does not constitute any obligation or liability on our Company, the Promoter Selling Shareholders or the members of the Syndicate. While our Company will use best efforts to ensure that listing and trading of the Equity Shares on the Stock Exchanges commences within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed by SEBI, the timetable may be subject to change for various reasons, including extension of Bid/Offer Period by our Company, acting through the IPO Committee, in consultation with the BRLMs, due to revision of the Price Band, any delays in receipt of final listing and trading approvals from the Stock Exchanges, delay in receipt of final certificates from SCSBs, etc. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges in accordance with applicable law. The Promoter Selling Shareholders, severally and not jointly, confirm that they shall extend such reasonable co-operation, to the extent such assistance is required from such Promoter Selling Shareholder in relation to its respective Offered Shares, as may be requested by our Company and the Book Running Lead Managers for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares at the Stock Exchanges within six Working Days from the Bid/Offer Closing Date or such other time as may be prescribed by SEBI.

In terms of the UPI Circulars, in relation to the Offer, the BRLMs will submit reports of compliance with T+6 listing timelines and activities, identifying non-adherence to timelines and processes and an analysis of entities responsible for the delay and the reasons associated with it.

SEBI is in the process of streamlining and reducing the post issue timeline for IPOs. Any circulars or

notifications from SEBI after the date of this Red Herring Prospectus may result in changes to the above mentioned timelines. Further, the offer procedure is subject to change basis any revised SEBI circulars to this effect.

**Submission of Bids (other than Bids from Anchor Investors):**

| Bid/Offer Period (except the Bid/Offer Closing Date) |   |
|--|---|
| Submission and Revision in Bids                      | Only between 10.00 a.m. and 5.00 p.m. IST |
| Bid/Offer Closing Date                               |   |
| Submission and Revision in Bids                      | Only between 10.00 a.m. and 3.00 p.m. IST |

**On the Bid/Offer Closing Date, the Bids shall be uploaded until:**

- i. 4.00 p.m. Indian Standard Time in case of Bids by QIBs and Non-Institutional Investors, and
- ii. until 5.00 p.m. Indian Standard Time or such extended time as permitted by the Stock Exchanges, in case of Bids by Retail Individual Investors.

On Bid/Offer Closing Date, extension of time may be granted by Stock Exchanges only for uploading Bids received from Retail Individual Investors after taking into account the total number of Bids received up to closure of timings for acceptance of Bid cum Application Forms as stated herein and as reported by the Book Running Lead Managers to the Stock Exchanges.

**It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs would be rejected.**

The Registrar to the Offer shall submit the details of cancelled/ withdrawn/ deleted applications to the SCSBs on a daily basis within 60 minutes of the Bid closure time from the Bid/ Offer Opening Date till the Bid/ Offer Closing Date by obtaining the same from the Stock Exchanges. The SCSBs shall unblock such applications by the closing hours of the Working Day and submit the confirmation to the BRLMs and the RTA on a daily basis.

To avoid duplication, the facility of re-initiation provided to Syndicate Member shall preferably be allowed only once per Bid/batch and as deemed fit by the Stock Exchanges, after closure of the time for uploading Bids.

Due to limitation of time available for uploading Bids on the Bid/Offer Closing Date, Bidders are advised to submit Bids one day prior to the Bid/Offer Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Offer Closing Date. Bidders are cautioned that if a large number of Bids are received on the Bid/Offer Closing Date, as is typically experienced in public issues, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded on the electronic bidding system will not be considered for allocation in the Offer. It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by the SCSBs would be rejected. Our Company, the Promoter Selling Shareholders and the members of Syndicate will not be responsible for any failure in uploading Bids due to faults in any hardware/software system or otherwise. Bids will be accepted only on Working Days. Investors may please note that as per letters dated July 3, 2006 and July 6, 2006, issued by BSE and NSE respectively, Bids and any revisions in Bids shall not be accepted on Saturdays and public holidays as declared by the Stock Exchanges.

Our Company in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/ Offer Period in accordance with the SEBI ICDR Regulations. The revision in the Price Band shall not exceed 20% on either side, i.e. the Floor Price may move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly, but the Floor Price shall not be less than the face value of the Equity Shares. In all circumstances, the Cap Price shall be at least 105% of the Floor Price and less than or equal to 120% of the Floor Price.

**In case of any revision to the Price Band, the Bid/ Offer Period will be extended by at least three additional Working Days following such revision of the Price Band, subject to the Bid/ Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Company may, for reasons to be recorded in writing, extend the Bid/ Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice, and also by indicating the change on the respective websites of the BRLMs and**

**at the terminals of the Syndicate Member and by intimation to the Designated Intermediaries and the Sponsor Banks, as applicable.**

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges may be taken as the final data for the purpose of Allotment.

#### **Minimum subscription**

In the event our Company does not receive (i) a minimum subscription of 90% of the Fresh Issue, and (ii) a subscription in the Offer as specified under Rule 19(2)(b) of the SCRR, including through devolvement of Underwriters, as applicable, within sixty (60) days from the date of Bid Closing Date, or if the subscription level falls below the thresholds mentioned above after the Bid Closing Date, on account of withdrawal of applications or after technical rejections or any other reason, or if the listing or trading permission is not obtained from the Stock Exchanges for the Equity Shares being offered under this Red Herring Prospectus, our Company shall forthwith refund the entire subscription amount received, in accordance with applicable law. If there is a delay beyond four days, our Company and the Promoter Selling Shareholders, to the extent applicable, shall pay interest at the rate of 15% per annum including the SEBI circular bearing no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021. No liability to make any payment of interest shall accrue to any Promoter Selling Shareholder unless any delay in making any of the payments hereunder or any delay in obtaining listing and/or trading approvals or any other approvals in relation to the Offer is caused solely by, and is directly attributable to, an act or omission of such Promoter Selling Shareholder and to the extent of its portion of the Offered Shares.

The requirement for minimum subscription is not applicable to the Offer for Sale.

In case of under-subscription in the Offer, subject to receiving minimum subscription for 90% of the Fresh Issue and compliance with Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, the Allotment for the valid Bids will be made in the first instance towards subscription for 100% of the Fresh Issue prior to the sale of Equity Shares in the Offer for Sale. If there remain any balance valid Bids in the Offer, the Allotment for the balance valid Bids will be made pro rata towards Equity Shares offered for sale by the Promoter Selling Shareholders.

Further, in terms of Regulation 49(1) of the SEBI ICDR Regulations, our Company shall ensure that the number of Bidders to whom the Equity Shares will be Allotted will be not less than 1,000.

Under-subscription, if any, in any category except the QIB Portion, would be met with spill-over from the other categories at the discretion of our Company in consultation with the Book Running Lead Managers, and the Designated Stock Exchange.

#### **Arrangement for disposal of odd lots**

Since the Equity Shares will be traded in dematerialised form only and the market lot for the Equity Shares will be one Equity Share, no arrangements for disposal of odd lots are required.

#### **New financial instruments**

Our Company is not issuing any new financial instruments through this Offer.

#### **Restriction on transfer of shares and transmission of Equity Shares**

Except for lock-in of the pre-Offer capital of our Company, the Anchor Investor lock-in in the Offer is as detailed in "*Capital Structure- Notes to the Capital Structure- History of the share capital held by our Promoters-Lock-in of Equity Shares Allotted to Anchor Investors*" on page 91 and except as provided in the Articles of Association as detailed in "*Main Provisions of the Articles of Association*" on page 382, there are no restrictions on transfers and transmission of Equity Shares and on their consolidation/splitting.

#### **Withdrawal of the Offer**

The Offer shall be withdrawn in the event that 90% of the Fresh Issue portion of the Offer is not subscribed.

Our Company in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue and the Promoter Selling Shareholders, reserve the right not to proceed with the Offer for Sale, in whole or in part thereof,

to the extent of the Offered Shares, after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Company would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and inform the Stock Exchanges promptly on which the Equity Shares are proposed to be listed. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Banks, to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Offer to process refunds to the Anchor Investors, as the case may be. The notice of withdrawal will be issued in the same newspapers where the pre-Offer advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Company, in consultation with the BRLMs, withdraws the Offer at any stage and thereafter determines that it will proceed with an issue of the Equity Shares, our Company shall file a fresh draft red herring prospectus with SEBI. Notwithstanding the foregoing, this Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment and within six Working Days of the Bid/ Offer Closing Date or such other time period as prescribed under applicable law; and (ii) filing of the Prospectus with the RoC. If Allotment is not made within the prescribed time period under applicable law, the entire subscription amount received will be refunded/unblocked within the time prescribed under applicable law.



## OFFER STRUCTURE

The Offer of up to [•] Equity Shares of face value of ₹ 2 each for cash at price of ₹ [•] per Equity Share (including a premium of ₹ [•] per Equity Share) aggregating to up to ₹ 5,000.00 million comprising of a Fresh Issue of up to [•] Equity Shares aggregating up to ₹ 4,000.00 million by our Company and an Offer of Sale of up to [•] Equity Shares, aggregating up to ₹ 1,000.00 million by the Promoter Selling Shareholders.

The Offer shall constitute [•]% of the post-Offer paid-up Equity Share capital of our Company.

In terms of Rule 19(2) (b) of the SCRR, the Offer is being made through the Book Building Process, in compliance with Regulation 6(2) of the SEBI ICDR Regulations.

| Particulars   | QIBs <sup>(1)</sup>   | Non-Institutional Bidders  | Retail Individual Investors   |
|---|---|--|---|
| Number of Equity Shares available for Allotment or allocation <sup>*(2)</sup> | Not less than [•] Equity Shares   | Not more than [•] Equity Shares available for allocation or Offer less allocation to QIB Bidders and RII   | Not more than [•] Equity Shares available for allocation or Offer less allocation to QIB Bidders and Non-Institutional Bidders  |
| Percentage of Offer Size available for Allotment or allocation                | Not less than 75% of the Offer being available for allocation to QIB Bidders. However, up to 5% of the QIB Portion will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion (excluding the Anchor Investor Portion). The unsubscribed portion in the Mutual Fund Portion will be available for allocation to other QIBs | Not more than 15% of the Offer less allocation to QIB Bidders and RII will be available for allocation.<br><br>The allocation to each Non-Institutional Investor shall not be less than minimum application size i.e., [•] Equity Shares, in accordance with the SEBI ICDR Regulations, subject to the availability of Equity Shares in Non-Institutional Investors' category, and the remaining Equity Shares, if any, shall be allocated on a proportionate basis, subject to valid Bids being received at or above the Offer Price. One third of the portion available to Non-Institutional Investors shall be reserved for applicants with application size of more than ₹ 0.2 million and up to ₹ 1 million, and two third of the portion available to Non-Institutional investors shall be reserved for applicants with application size of more than ₹ 1 (one) million. | Not more than 10% of the Offer less allocation to QIB Bidders and Non-Institutional Bidders will be available for allocation  |
| Basis of Allotment if respective category is oversubscribed*                  | Proportionate as follows (excluding the Anchor Investor Portion):<br>a) [•] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and  | The allotment of specified securities to each Non-Institutional Bidder shall not be less than the minimum application size, subject to availability in the Non-Institutional Portion, and the remainder, if any, shall be allotted on a proportionate basis in   | The allotment to each RII shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Category and the remaining available Equity Shares if any, shall be Allotted on a proportionate basis. For |

| Particulars                  |  | QIBs <sup>(1)</sup>  | Non-Institutional Bidders   | Retail Individual Investors  |
|------------------------------|--|--|---|--|
|                              |  | <p>b) [•] Equity Shares shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above</p> <p>c) [•] Equity Shares may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to Mutual Funds only, subject to valid Bid received from Mutual Funds at or above the Anchor Investor Allocation Price</p> | accordance with the conditions specified in the SEBI ICDR Regulations.  | further details, see “Offer Procedure” on page 360   |
| Mode of Bid                  |  | Through ASBA Process only (except in case of Anchor Investors)   |   |  |
| Minimum Bid                  |  | Such number of Equity Shares in multiples of [•] Equity Shares such that the Bid Amount exceeds ₹ 200,000.00   | Such number of Equity Shares in multiples of [•] Equity Shares such that the Bid Amount exceeds ₹ 200,000.00  | [•] Equity Shares and in multiples of [•] Equity Shares thereafter   |
| Maximum Bid                  |  | Such number of Equity Shares in multiples of [•] Equity Shares not exceeding the size of the Offer, subject to applicable limits   | Such number of Equity Shares in multiples of [•] Equity Shares not exceeding the size of the Offer, (excluding the QIB Portion) subject to limits applicable to the Bidder  | Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount does not exceed ₹ 200,000.00 |
| Mode of Allotment            |  | Compulsorily in dematerialised form  |   |  |
| Bid Lot                      |  | [•] Equity Shares and in multiples of [•] Equity Shares thereafter   |   |  |
| Allotment Lot                |  | A minimum of [•] Equity Shares and in multiples of one Equity Share thereafter<br>For Retail Individual Investors, [•] Equity Shares and in multiples of one Equity Share thereafter, subject to availability in the Retail Category   |   |  |
| Trading Lot                  |  | One Equity Share   |   |  |
| Who can apply <sup>(3)</sup> |  | Public financial institutions as specified in Section 2(72) of the Companies Act, 2013, scheduled commercial banks, multilateral and bilateral development financial institutions, Mutual Funds, FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs, state  | Resident Indian individuals, Eligible NRIs, HUFs (in the name of the Karta), companies, corporate bodies, scientific institutions, societies, trusts, family offices and FPIs who are individuals, corporate bodies and family offices. which are re-categorised as Category II FPIs and registered with SEBI | Resident Indian individuals, Eligible NRIs and HUFs (in the name of the Karta)                                     |

| Particulars      |  | QIBs <sup>(1)</sup>  | Non-Institutional Bidders | Retail Investors | Individual Investors |
|------------------|--|--|---------------------------|------------------|----------------------|
|                  |  | industrial development corporation, insurance company registered with IRDAI, provident funds (subject to applicable law) with minimum corpus of ₹ 250.00 million, pension funds with minimum corpus of ₹ 250.00 million, National Investment Fund set up by the GoI, insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and NBFC-SI |                           |                  |                      |
| Terms of Payment | Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder or by the Sponsor Banks through the UPI Mechanism (only for Retail Individual Investors) that is specified in the ASBA Form at the time of submission of the ASBA Form <sup>(4)</sup> |  |                           |                  |                      |
| Mode of Bid      | Only through the ASBA process (except for Anchor Investors) <sup>^</sup>   |  |                           |                  |                      |

<sup>^</sup>Assuming full subscription in the Offer.

<sup>^</sup>SEBI vide its circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, has mandated that ASBA applications in Public Issues shall be processed only after the application monies are blocked in the investor's bank accounts. Accordingly, Stock Exchanges shall, for all categories of investors viz. RIB, QIB, NII and other reserved categories and also for all modes through which the applications are processed, accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked.

- (1) Our Company may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors at the Anchor Investor Offer Price, on a discretionary basis, subject to there being (i) a maximum of two Anchor Investors, where allocation in the Anchor Investor Portion is up to ₹100 million, (ii) minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹100 million but up to ₹2,500 million under the Anchor Investor Portion, subject to a minimum Allotment of ₹50 million per Anchor Investor, and (iii) in case of allocation above ₹2,500 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹2,500 million, and an additional 10 Anchor Investors for every additional ₹2,500 million or part thereof will be permitted, subject to minimum allotment of ₹50 million per Anchor Investor. An Anchor Investor will make a minimum Bid of such number of Equity Shares, that the Bid Amount is at least ₹100 million. One-third of the Anchor Investor Portion will be reserved for domestic Mutual Funds, subject to valid Bids being received at or above the price at which allocation is made to Anchor Investors, which price shall be determined by the Company in consultation with the BRLMs.
- (2) Subject to valid Bids being received at or above the Offer Price. This Offer is being made in accordance with Rule 19(2)(b) of the SCRR and Regulation 6(2) of the SEBI ICDR Regulations. Further, not more than 15% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders, of which one-third of the Non-Institutional Portion shall be reserved for applicants with an application size of more than ₹0.20 million and up to ₹1.00 million and two-thirds of the Non-Institutional Portion shall be reserved for applicants with an application size of more than ₹1.00 million and under-subscription in either of these two sub-categories of Non-Institutional Portion may be allocated to applicants in the other sub-category of Non-Institutional Portion in accordance with SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.
- (3) Anchor Investors are not permitted to use the ASBA process
- (4) In case of joint Bids, the Bid cum Application Form should contain only the name of the first Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such first Bidder would be required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders.
- (5) Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms provided that any difference between the Anchor Investor Allocation Price and the Anchor Investor Offer Price shall be payable by the Anchor Investor pay-in date as indicated in the CAN. Bidders will be required to confirm and will be deemed to have represented to our Company, the Promoter Selling Shareholders, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares.

**Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in any category except the QIB Portion would be allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange, on a proportionate basis. However, under-subscription, if any, in the QIB Portion will not be allowed to be met with spill-over from other categories or a combination of categories. For details, see “Terms of the Offer” on page 351.**

## OFFER PROCEDURE

All Bidders should read the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars (the “**General Information Document**”) which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, 2013, the SCRA, the SCRR and the SEBI ICDR Regulations. The General Information Document is available on the websites of the Stock Exchanges and the BRLMs. Please refer to the relevant provisions of the General Information Document which are applicable to the Offer. The investors should note that the details and process provided in the General Information Document should be read along with this section.

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) category of investors eligible to participate in the Offer; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) payment instructions for ASBA Bidders; (v) issuance of Confirmation of Allocation Note (“**CAN**”) and Allotment in the Offer; (vi) general instructions (limited to instructions for completing the Bid cum Application Form); (vii) designated date; (viii) disposal of applications; (ix) submission of Bid cum Application Form; (x) other instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (xi) applicable provisions of Companies Act, 2013 relating to punishment for fictitious applications; (xii) mode of making refunds; and (xiii) interest in case of delay in Allotment or refund.

SEBI through its circular (SEBI/HO/CFD/DIL2/CIR/P/2018/138) dated November 1, 2018 as amended from time to time, including pursuant to circular (SEBI/HO/CFD/DIL2/CIR/P/2019/50) dated April 3, 2019 has proposed to introduce an alternate payment mechanism using Unified Payments Interface (“**UPI**”) and consequent reduction in timelines for listing in a phased manner. UPI has been introduced in a phased manner as a payment mechanism with the ASBA for applications by Retail Individual Investors through intermediaries from January 1, 2019. The UPI Mechanism for Retail Individual Investors applying through Designated Intermediaries, in phase I, was effective along with the prior process and existing timeline of T+6 days (“**UPI Phase I**”), until June 30, 2019. Subsequently, for applications by Retail Individual Investors through Designated Intermediaries, the process of physical movement of forms from Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism with existing timeline of T+6 days is applicable for a period of three months or launch of five main board public issues, whichever is later (“**UPI Phase II**”), with effect from July 1, 2019, by SEBI circular (SEBI/HO/CFD/DIL2/CIR/P/2019/76) dated June 28, 2019, read with circular (SEBI/HO/CFD/DIL2/CIR/P/2019/85) dated July 26, 2019. Further, as per the SEBI circular (SEBI/HO/CFD/DCR2/CIR/P/2019/133) dated November 8, 2019, the UPI Phase II had been extended until March 31, 2020. However, due to the outbreak of COVID-19 pandemic, UPI Phase II has been further extended by SEBI until further notice, by its circular (SEBI/HO/CFD/DIL2/CIR/P/2020/50) dated March 30, 2020. Thereafter, the final reduced timeline of T+3 days may be made effective using the UPI Mechanism for applications by UPI Bidders (“**UPI Phase III**”), as may be prescribed by SEBI. Accordingly, The Offer will be undertaken pursuant to the processes and procedures under UPI Phase II, subject to any circulars, clarification or notification issued by the SEBI from time to time. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 has introduced certain additional measures for streamlining the process of initial public offers and redressing investor grievances. This circular has come into force for initial public offers opening on or after May 1, 2021, except as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and the provisions of this circular are deemed to form part of this t Red Herring Prospectus. Additionally, SEBI vide its circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 has reduced the time period for refund of application monies from 15 days to four days. Furthermore, pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, all individual bidders in initial public offerings (opening on or after May 1, 2022) whose application sizes are up to ₹500,000 shall use the UPI Mechanism and pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, applications made using the ASBA facility in initial public offerings (opening on or after September 1, 2022) shall be processed only after application monies are blocked in the bank accounts of investors (all categories).

In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100.00 per day for the entire duration of delay exceeding four Working Days from the Bid/Offer Closing Date by the intermediary responsible for causing such delay in unblocking. The BRLMs shall, in their

sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking.

*Our Company, Promoter Selling Shareholders and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated in this section and the General Information Document which are not liable for any amendment, modification or change in the applicable law which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in this Red Herring Prospectus and the Prospectus.*

### **Book Building Procedure**

The Offer is being made through the Book Building Process in compliance with Regulation 6(2) of the SEBI ICDR Regulations wherein not less than 75% of the Offer shall be allocated on a proportionate basis to QIBs, provided that our Company, may, in consultation with the BRLMs, may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. Further, 5% of the Net QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not more than 15% of the Offer shall be available for allocation to Non-Institutional Investors, of which (a) one-third portion shall be reserved for applicants with application size of more than ₹200,000 and up to ₹1,000,000; and (b) two-thirds portion shall be reserved for applicants with application size of more than ₹1,000,000, provided that the unsubscribed portion in either of such sub-categories may be allocated to applicants in the other sub-category of and not more than 10% of the Offer shall be available for allocation to Retail Individual Investors in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.

Subject to valid Bids being received at or above the Offer Price, undersubscription, if any, in any category, except in the QIB Portion, would be allowed to be met with spill-over from any other category or a combination of categories at the discretion of our Company, acting through the IPO Committee, in consultation with the BRLMs, and the Designated Stock Exchange. However, under-subscription, if any, in the QIB Portion will not be allowed to be met with spill-over from other categories or a combination of categories.

In accordance with Rule 19(2)(b) of the SCRR, the Offer will constitute at least [ $\bullet$ ] % of the post Offer paid-up Equity Share capital of our Company.

The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, PAN and UPI ID (for UPI Bidders), as applicable, shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialized subsequent to Allotment of the Equity Shares in the Offer, subject to applicable laws.

### **Phased implementation of Unified Payments Interface**

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of *inter alia* equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIIs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days up to three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

**Phase I:** This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, an RII had the option to submit the ASBA Form with any of the Designated

Intermediary and use his/her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

**Phase II:** This phase has become applicable from July 1, 2019 and was to initially continue for a period of three months or floating of five main board public issues, whichever is later. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 has decided to extend the timeline for implementation of UPI Phase II until March 31, 2020. Subsequently, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for implementation of UPI Phase II till further notice. Under this phase, submission of the ASBA Form by UPI Bidders through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds has been discontinued and replaced by the UPI Mechanism. However, the time duration from public issue closure to listing continues to be six Working Days during this phase.

**Phase III:** The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing is proposed to be reduced to three Working Days. Accordingly, upon commencement of Phase III, the reduced time duration shall be applicable for the Offer.

Pursuant to the UPI Streamlining Circular, SEBI has set out specific requirements for redressal of investor grievances for applications that have been made through the UPI Mechanism. The requirements of the UPI Streaming Circular include, appointment of a nodal officer by the SCSB and submission of their details to SEBI, the requirement for SCSBs to send SMS alerts for the blocking and unblocking of UPI mandates, the requirement for the Registrar to submit details of cancelled, withdrawn or deleted applications, and the requirement for the bank accounts of unsuccessful Bidders to be unblocked no later than one day from the date on which the Basis of Allotment is finalised. Failure to unblock the accounts within the timeline would result in the SCSBs being penalised under the relevant securities law. Additionally, if there is any delay in the redressal of investors' complaints, the relevant SCSB as well as the post – Offer BRLM will be required to compensate the concerned investor.

The Offer will be made under UPI Phase II of the UPI Circular, unless UPI Phase III of the UPI Circular becomes effective and applicable on or prior to the Bid/Offer Opening Date. All SCSBs offering the facility of making application in public issues shall also provide facility to make application using UPI. Our Company will be required to appoint one of the SCSBs as a sponsor bank to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and/or payment instructions of the UPI Bidders.

All SCSBs offering the facility of making applications in public issues shall also provide the facility to make application using UPI. Our Company has appointed the Sponsor Banks to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and/ or payment instructions of the UPI Bidders using the UPI.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks make an application as prescribed in Annexure I of SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and provide a written confirmation on compliance with SEBI Circular No: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 read with SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022.

Further, pursuant to SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, all Retail Individual Bidders applying in public issues where the application amount is up to ₹500,000 shall use UPI and shall also provide their UPI ID in the Bid cum Application Form submitted with any of the entities mentioned herein below:

- i. a syndicate member;
- ii. a stock broker registered with a recognised stock exchange (and whose name is mentioned on the website of the stock exchange as eligible for this activity);
- iii. a depository participant (whose name is mentioned on the website of the stock exchange as eligible for this activity);
- iv. a registrar to an issue and share transfer agent (whose name is mentioned on the website of the stock exchange as eligible for this activity).

For further details, refer to the General Information Document available on the websites of the Stock Exchanges and the BRLMs.

#### **Electronic registration of Bids**

- a) The Designated Intermediary may register the Bids using the online facilities of the Stock Exchanges. The Designated Intermediaries can also set up facilities for off-line electronic registration of Bids, subject to the condition that they may subsequently upload the off-line data file into the online facilities for Book Building on a regular basis before the closure of the Offer.
- b) On the Bid/Offer Closing Date, the Designated Intermediaries may upload the Bids till such time as may be permitted by the Stock Exchanges and as disclosed in this Red Herring Prospectus.
- c) Only Bids that are uploaded on the Stock Exchanges Platform are considered for allocation/Allotment. The Designated Intermediaries are given till 1:00 pm on the next Working Day following the Bid/ Offer Closing Date to modify select fields uploaded in the Stock Exchanges' Platform during the Bid/ Offer Period after which the Stock Exchange(s) send the bid information to the Registrar to the Offer for further processing.

#### **Bid cum Application Form**

Copies of the Bid cum Application Form (other than for Anchor Investors) and the abridged prospectus will be available with the Designated Intermediaries at the Bidding Centres, and our Registered Office. An electronic copy of the Bid cum Application Form will also be available for download on the websites of BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)) at least one day prior to the Bid/Offer Opening Date. Copies of the Anchor Investor Application Form will be available with the BRLMs.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Offer only through the ASBA process. SEBI vide its circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, has mandated that ASBA applications in public issues shall be processed only after the application monies are blocked in the investor's bank accounts. Accordingly, the Stock Exchanges shall, for all categories of investors viz. RIB, QIB, NII and other reserved categories and also for all modes through which the applications are processed, accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked. UPI bidders shall Bid through the UPI Mechanism. UPI Bidders must provide the valid UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Form that does not contain the UPI ID are liable to be rejected. UPI Bidders may also apply through the SCSBs and mobile applications using the UPI handles as provided on the website of the SEBI. ASBA Bidders must provide either (i) the bank account details and authorisation to block funds in the ASBA Form, or (ii) the UPI ID, as applicable, in the relevant space provided in the ASBA Form. The ASBA Forms that do not contain such details are liable to be rejected. Applications made by the UPI Bidders using third party bank account or using third party linked bank account UPI ID are liable for rejection. Anchor Investors are not permitted to participate in the Offer through the ASBA process. ASBA Bidders shall ensure that the Bids are made on ASBA Forms bearing the stamp of the relevant Designated Intermediary, submitted at the relevant Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp are liable to be rejected. Since the Offer is made under Phase II of the UPI Circulars, ASBA Bidders may submit the ASBA Form in the manner below:

- (i) RIIs and NIBs (other than the RIIs and NIBs using UPI Mechanism) may submit their ASBA Forms with SCSBs (physically or online, as applicable), or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.
- (ii) RIIs and NIBs using the UPI Mechanism, may submit their ASBA Forms with the Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs, or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.
- (iii) QIBs and NIBs (not using the UPI Mechanism) may submit their ASBA Forms with SCSBs, Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs.

ASBA Bidders are also required to ensure that the ASBA Account has sufficient credit balance as an amount equivalent to the full Bid Amount which can be blocked by the SCSB or the Sponsor Banks, as applicable at the time of submitting the Bid. For all initial public offerings opening on or after September 1, 2022, as specified in SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, the ASBA applications in Public

Issues shall be processed only after the application monies are blocked in the investor's bank accounts. Stock Exchanges shall accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked. The circular shall be applicable for all categories of investors viz. RIB, QIB, NII and other reserved categories and also for all modes through which the applications are processed.

For Anchor Investors, the Anchor Investor Application Form will be available at the offices of the BRLMs.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

| Category  | Colour of Bid cum Application Form* |
|---|-------------------------------------|
| Resident Indians, including resident QIBs, Non-Institutional Investors, Retail Individual Investors and Eligible NRIs applying on a non-repatriation basis <sup>^</sup> | White                               |
| Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions applying on a repatriation basis  | Blue                                |
| Anchor Investors <sup>^^</sup>  | White                               |

\*Excluding the electronic Bid cum Application Form

<sup>^</sup>Electronic Bid cum Application Form will be made available for download on the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com)

<sup>^^</sup>Bid cum Application Forms for Anchor Investors will be made available at the offices of the BRLMs.

In case of ASBA forms, the relevant Designated Intermediaries shall upload the relevant bid details in the electronic bidding system of the Stock Exchanges and the Stock Exchanges shall accept the ASBA applications in their electronic bidding system only with a mandatory confirmation on the application monies blocked. For UPI Bidders using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Banks on a continuous basis to enable the Sponsor Banks to initiate UPI Mandate Request to UPI Bidders for blocking of funds. For ASBA Forms (other than UPI Mechanism) Designated Intermediaries (other than SCSBs) shall submit/ deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

For UPI Bidders, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Banks on a continuous basis through API integration to enable the Sponsor Banks to initiate UPI Mandate Request to UPI Bidders, for blocking of funds. The Sponsor Banks shall initiate request for blocking of funds through NPCI to UPI Bidders, who shall accept the UPI Mandate Request for blocking of funds on their respective mobile applications associated with UPI ID linked bank account. The NPCI shall maintain an audit trail for every Bid entered in the Stock Exchanges bidding platform, and the liability to compensate UPI bidders in case of failed transactions shall be with the concerned entity (i.e. the Sponsor Banks, NPCI or the bankers to an issue) at whose end the lifecycle of the transaction has come to a halt. The NPCI shall share the audit trail of all disputed transactions/ investor complaints to the Sponsor Banks and the issuer bank. The Sponsor Banks and the Bankers to the Issue shall provide the audit trail to the BRLMs for analysing the same and fixing liability. For ensuring timely information to investors, SCSBs shall send SMS alerts for mandate block and unblock including details specified in SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated April 20, 2022. For all pending UPI Mandate Requests, the Sponsor Banks shall initiate requests for blocking of funds in the ASBA Accounts of relevant Bidders with a confirmation cut-off time of 5:00 pm on the Bid/Issue Closing Date (“**Cut-Off Time**”). Accordingly, UPI Bidders should accept UPI Mandate Requests for blocking off funds prior to the Cut-Off Time and all pending UPI Mandate Requests at the Cut-Off Time shall lapse.

The Sponsor Banks will undertake a reconciliation of Bid responses received from Stock Exchanges and sent to NPCI and will also ensure that all the responses received from NPCI are sent to the Stock Exchanges platform with detailed error code and description, if any. Further, the Sponsor Banks will undertake reconciliation of all Bid requests and responses throughout their lifecycle on daily basis and share reports with the BRLMs in the format and within the timelines as specified under the UPI Circulars. Sponsor Banks and issuer banks shall download UPI settlement files and raw data files from the NPCI portal after every settlement cycle and do a three way reconciliation with UPI switch data, CBS data and UPI raw data. NPCI is to coordinate with issuer banks and Sponsor Banks on a continuous basis.



For ASBA Forms (other than UPI Bidders) Designated Intermediaries (other than SCSBs) shall submit/deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

Pursuant to BSE Circular No: 20220803-40 and NSE Circular No: 25/2022, each dated August 3, 2022, the following is applicable to all initial public offers opening on or after September 1, 2022:

- a) Cut-off time for acceptance of UPI mandate shall be up to 5:00 pm on the Bid/ Issue Closing Date and existing process of UPI bid entry by syndicate members, registrars to the offer and depository participants shall continue till further notice.
- b) There shall be no T+1 mismatch modification session for PAN-DP mismatch and bank/ location code on T+1 day for already uploaded bids. The dedicated window provided for mismatch modification on T+1 day shall be discontinued.
- c) Bid entry and modification/ cancellation (if any) shall be allowed in parallel to the regular bidding period up to 5 pm on the initial public offer closure day.
- d) The Stock Exchanges shall display Offer demand details on its website and for UPI bids the demand shall include/ consider UPI bids only with latest status as RC 100 – black request accepted by Investor/ client, based on responses/status received from the Sponsor Bank(s).

**The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction except in compliance with the applicable laws of such jurisdiction.**

**Participation by associates and affiliates of the BRLMs and the Syndicate Member and the persons related to the BRLMs and the Syndicate Member**

The BRLMs and the Syndicate Member shall not be allowed to purchase Equity Shares in this Offer in any manner, except towards fulfilling their underwriting obligations. However, the respective associates and affiliates of the BRLMs and the Syndicate Member may Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the BRLMs and Syndicate Member, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

Except as stated below, none of the BRLMs nor any associates of the BRLMs can apply in the Offer under the Anchor Investor Portion:

- (i) mutual funds sponsored by entities which are associate of the BRLMs;
- (ii) insurance companies promoted by entities which are associate of the BRLMs;
- (iii) AIFs sponsored by the entities which are associate of the BRLMs; or
- (iv) FPIs (other than individuals, corporate bodies and family offices) sponsored by the entities which are associates of the BRLMs.

Further, an Anchor Investor shall be deemed to be an associate of the BRLMs, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the BRLMs.

Further, the Promoters and members of the Promoter Group shall not participate by applying for Equity Shares in the Offer, except in accordance with the applicable law. Furthermore, persons related to a Promoter and the Promoter Group shall not apply in the Offer under the Anchor Investor Portion. It is clarified that a qualified institutional buyer who has the rights under a shareholders' agreement or voting agreement entered into with any of the Promoters or members of the Promoter Group of our Company, veto rights or a right to appoint any nominee director on our Board, shall be deemed to be a person related to a Promoter or member of the Promoter Group of our Company.

### **Bids by Mutual Funds**

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company in consultation with the BRLMs reserves the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its NAV in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

### **Bids by Eligible NRIs**

Eligible NRIs may obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their respective SCSB or confirm or accept the UPI Mandate Request (in case of UPI Bidders) to block their Non-Resident External ("NRE") accounts (including UPI ID, if activated), or FCNR Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their respective SCSB confirm or accept the UPI mandate request (in case of UPI Bidders) to block their Non-Resident Ordinary ("NRO") accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form. NRIs applying in the Offer through the UPI Mechanism are advised to enquire with the relevant bank, whether their account is UPI linked, prior to submitting a Bid cum Application Form.

Eligible NRIs will be permitted to apply in the Offer through Channel I or Channel II (as specified in the SEBI UPI Circulars). Further, subject to applicable law, Eligible NRIs may use Channel IV (as specified in the SEBI UPI Circulars) to apply in the Offer, provided the UPI facility is enabled for their NRE/NRO accounts.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents (white in colour). By way of Press Note 1 (2021 Series) dated March 19, 2021, issued by the DPIIT, it has been clarified that an investment made by an Indian entity which is owned and controlled by NRIs on a non-repatriation basis, shall not be considered for calculation of indirect foreign investment.

Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents (blue in colour).

Participation by Eligible NRIs in the Offer shall be subject to the FEMA Rules. Only Bids accompanied by payment in Indian rupees or fully converted foreign exchange will be considered for Allotment.

In accordance with the FEMA Rules, the total holding by any individual NRI, on a repatriation basis, shall not exceed 5% of the total paid-up equity capital on a fully diluted basis or shall not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together shall not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrant. Provided that the aggregate ceiling of 10% may be raised to 24% if a special resolution to that effect is passed by the general body of the Indian company.

For details of restrictions on investment by NRIs, see '*Restrictions on Foreign Ownership of Indian Securities*' on page 380.

### **Bids by HUFs**

Bids by Hindu Undivided Families or HUFs, should be made in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs may be considered at par with Bids from individuals.

### **Bids by FPIs**

In terms of the applicable FEMA Rules and the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) must be below 10% of our post-Offer Equity Share capital. Further, in terms of the FEMA Rules, the total holding by each FPI, of an investor group, shall be below 10% of the total paid-up Equity Share capital of our Company on a fully diluted basis and the aggregate limit for FPI investments shall be the sectoral caps applicable to our Company (i.e., up to 49% under the automatic route and beyond 49% under the government approval route). In case the total holding of an FPI or investor group increases beyond 10% of the total paid-up Equity Share capital of our Company, on a fully diluted basis, the total investment made by the FPI or investor group will be re-classified as FDI subject to the conditions as specified by SEBI and the RBI in this regard and our Company and the investor will be required to comply with applicable reporting requirements. With effect from the April 1, 2020, the aggregate limit shall be the sectoral caps applicable to the Indian company as prescribed in the FEMA Rules with respect to its paid-up equity capital on a fully diluted basis. To ensure compliance with the above requirement, SEBI, pursuant to its circular dated July 13, 2018, has directed that at the time of finalisation of the Basis of Allotment, the Registrar to the Offer shall (i) use the PAN issued by the Income Tax Department of India for checking compliance for a single FPI; and (ii) obtain validation from Depositories for the FPIs who have invested in the Offer to ensure there is no breach of the investment limit, within the timelines for issue procedure, as prescribed by SEBI from time to time.

In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included. Bids by FPIs which utilise the multi-investment manager structure, submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs may not be treated as multiple Bids.

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time. In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included. For details of restrictions on investment by FPIs, see '*Restrictions on Foreign Ownership of Indian Securities*' on page 380.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) such other conditions as may be specified by SEBI from time to time.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instruments issued by, or on behalf of it subject to, inter alia, the following conditions:

- (a) such offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and
- (b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred are pre-approved by the FPI.

The FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for non-residents.

Bids received from FPIs bearing the same PAN shall be treated as multiple Bids and are liable to be rejected, except for Bids from FPIs that utilize the multiple investment manager structure in accordance with the operational

guidelines for FPIs and designated Depository Participants issued to facilitate implementation of SEBI FPI Regulations (such structure referred to as “**MIM Structure**”), provided such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs.

Accordingly, it should be noted that multiple Bids received from FPIs, who do not utilize the MIM Structure, and bear the same PAN, are liable to be rejected. In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, are required to provide a confirmation in the Bid cum Application Forms that the relevant FPIs making multiple Bids utilize the MIM Structure. In the absence of such confirmation from the relevant FPIs, such multiple Bids shall be rejected by respective Syndicate/Broker or SCSBs at the time of Bidding.

Further, in the following cases, Bids by FPIs shall not be treated as multiple Bids:

- FPIs which utilise the MIM structure, indicating the name of their respective investment managers in such confirmation;
- Offshore derivative instruments which have obtained separate FPI registration for ODI and proprietary derivative investments;
- Sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration;
- FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager;
- Multiple branches in different jurisdictions of foreign bank registered as FPIs;
- Government and Government related investors registered as Category 1 FPIs; and
- Entities registered as collective investment scheme having multiple share classes.

The Bids belonging to any of the above mentioned seven structures and having same PAN may be collated and identified as a single Bid in the Bidding process. The Equity Shares allotted in the Bid may be proportionately distributed to the applicant FPIs (with same PAN). In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, are required to provide a confirmation along with each of their Bid cum Application Forms that the relevant FPIs making multiple Bids utilize any of the above-mentioned structures and indicate the name of their respective investment managers in such confirmation. In the absence of such confirmation from the relevant FPIs, such multiple Bids shall be rejected.

In case of Bids made by FPIs, a certified copy of the certificate of registration issued under the SEBI FPI Regulations is required to be attached to the Bid cum Application Form, failing which our Company reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for Non-Residents (blue in colour). **Bids by SEBI registered VCFs, AIFs and FVCIs**

The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 (“**SEBI VCF Regulations**”) as amended, *inter alia* prescribe the investment restrictions on VCFs, registered with SEBI. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“**SEBI AIF Regulations**”) prescribe, amongst others, the investment restrictions on AIFs. The Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended (“**SEBI FVCI Regulations**”), prescribe the investment restrictions on FVCIs. For details of restrictions on investment by SEBI registered VCFs, AIFs and FVCIs, see ‘*Restrictions on Foreign Ownership of Indian Securities*’ on page 380.

Accordingly, the holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF or FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds in various prescribed instruments, including in public offering.

Category I and II AIFs cannot invest more than 25% of the investible funds in one investee company. A Category III AIF cannot invest more than 10% of the investible funds in one investee company. A VCF registered as a Category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than one-third of its investible funds by way of subscription to an initial public offering of a venture capital undertaking whose shares are proposed to

be listed. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up and such funds shall not launch any new scheme after the notification of the SEBI AIF Regulations.

**There is no reservation for Eligible NRI Bidders, AIFs, FPIs and FVCIs. All Bidders will be treated on the same basis with other categories for the purpose of allocation.**

**All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.**

**Our Company, the Promoter Selling Shareholders or the BRLMs will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

#### **Bids by Limited Liability Partnerships**

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Company in consultation with the BRLMs reserves the right to reject any Bid without assigning any reason thereof.

#### **Bids by banking companies**

In case of Bids made by banking companies registered with the RBI, certified copies of (i) the certificate of registration issued by the RBI, and (ii) the approval of such banking company's investment committee are required to be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof, subject to applicable law.

The investment limit for banking companies in non-financial services companies as per the Banking Regulation Act, 1949 (the "**Banking Regulation Act**"), and Master Direction – Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 is 10% of the paid-up share capital of the investee company or 10% of the bank's own paid-up share capital and reserves, as per the last audited balance sheet or a subsequent balance sheet, whichever is less. Further, the aggregate investment in subsidiaries and other entities engaged in financial and non-financial services company cannot exceed 20% of the bank's paid-up share capital and reserves. A banking company would be permitted to invest in excess of 10% but not exceeding 30% of the paid-up share capital of such investee company if: (a) the investee company is engaged in non-financial activities in which banking companies are permitted to engage under the Banking Regulation Act or the additional acquisition is through restructuring of debt/corporate debt restructuring/strategic debt restructuring, or to protect the bank's interest on loans/investments made to a company, provided that the bank is required to submit a time-bound action plan for disposal of such shares (in this sub-clause (b)) within a specified period to the RBI. A banking company would require a prior approval of the RBI to make investment in excess of 30% of the paid-up share capital of the investee company, investment in a subsidiary and a financial services company that is not a subsidiary (with certain exceptions prescribed), and investment in a non-financial services company in excess of 10% of such investee company's paid-up share capital as stated in the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016, as amended.

#### **Bids by SCSBs**

SCSBs participating in the Offer are required to comply with the terms of the circulars bearing numbers CIR/CFD/DIL/12/2012 and CIR/CFD/DIL/1/2013 dated September 13, 2012 and January 2, 2013, respectively, issued by SEBI. Such SCSBs are required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications. Bidders are advised to refer to the Banking Regulation Act, 1949, as amended and the Master Directions - Reserve Bank of India (Financial Services provided by Banks) Directions, 2016, as amended for specific investment limits applicable to them.

#### **Bids by Insurance Companies**

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI must be attached to the Bid cum Application Form. Failing this, our Company in consultation with the BRLMs reserves the right to reject any Bid without assigning any reason thereof, subject to applicable law.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016, as amended, are broadly set forth below:

- (a) equity shares of a company: the lower of 10%\* of the outstanding equity shares (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer or health insurer;
- (b) the entire group of the investee company: not more than 15% of the respective fund in case of a life insurer or 15% of investment assets in case of a general insurer or reinsurer or health insurer or 15% of the investment assets in all companies belonging to the group, whichever is lower; and
- (c) the industry sector in which the investee company operates: not more than 15% of the fund of a life insurer or a general insurer or a reinsurer or health insurer or 15% of the investment asset, whichever is lower.

The maximum exposure limit, in the case of an investment in equity shares, cannot exceed the lower of an amount of 10% of the investment assets of a life insurer or general insurer and the amount calculated under (a), (b) and (c) above, as the case may be.

*\*The above limit of 10% shall stand substituted as 15% of outstanding equity shares (face value) for insurance companies with investment assets of ₹2,500,000.00 million or more and 12% of outstanding equity shares (face value) for insurers with investment assets of ₹500,000.00 million or more but less than ₹2,500,000.00 million.*

Insurance companies participating in the Offer shall comply with all applicable regulations, guidelines and circulars issued by IRDAI from time to time.

#### **Bids by Provident Funds/Pension Funds**

In case of Bids made by provident funds/pension funds with minimum corpus of ₹ 250 million, subject to applicable law, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Company in consultation with the BRLMs reserves the right to reject any Bid, without assigning any reason thereof.

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, eligible FPIs, AIFs, Mutual Funds, insurance companies, NBFC-SI, insurance funds set up by the army, navy or air force of the India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹ 250.00 million (subject to applicable laws) and pension funds with a minimum corpus of ₹ 250.00 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company and the reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company in consultation with the BRLMs, in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that our Company in consultation with the BRLMs, may deem fit.

#### **Bids by Anchor Investors**

- (a) In accordance with the SEBI ICDR Regulations, in addition to details and conditions mentioned in this section the key terms for participation by Anchor Investors are provided below. Anchor Investor Application Forms will be made available for the Anchor Investor Portion at the offices of the BRLMs.
- (b) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds ₹ 100.00 million. A Bid cannot be submitted for over 60% of the QIB Portion. In case of a Mutual Fund, separate bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹ 100.00 million.
- (c) One-third of the Anchor Investor Portion will be reserved for allocation to domestic Mutual Funds.

- (d) Bidding for Anchor Investors will open one Working Day before the Bid/Offer Opening Date, and will be completed on the same day.
- (e) Our Company in consultation with the BRLMs may finalise allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion will not be less than:
  - (i) maximum of two Anchor Investors, where allocation under the Anchor Investor Portion is up to ₹ 100.00 million;
  - (ii) minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹ 100.00 million but up to ₹ 2,500.00 million, subject to a minimum Allotment of ₹ 50.00 million per Anchor Investor; and
  - (iii) in case of allocation above ₹ 2,500.00 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹ 2,500.00 million, and an additional 10 Anchor Investors for every additional ₹ 2,500.00 million, subject to minimum Allotment of ₹ 50.00 million per Anchor Investor.
- (f) Allocation to Anchor Investors will be completed on the Anchor Investor Bid/Offer Period. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, will be made available in the public domain by the BRLMs before the Bid/Offer Opening Date, through intimation to the Stock Exchanges.
- (g) Anchor Investors cannot withdraw or lower the size of their Bids at any stage after submission of the Bid.
- (h) If the Offer Price is greater than the Anchor Investor Allocation Price, the additional amount being the difference between the Offer Price and the Anchor Investor Offer Price will be payable by the Anchor Investors on the Anchor Investor pay-in date specified in the CAN. If the Offer Price is lower than the Anchor Investor Offer Price, Allotment to successful Anchor Investors will be at the higher price.
- (i) 50% of the Equity Shares Allotted in the Anchor Investor Portion will be locked in for a period of 90 days from the date of Allotment, and the balance 50% Equity Shares Allotted in the Anchor Investor Portion will be locked in for a period of 30 days from the date of Allotment.
- (j) Neither the BRLMs nor any associate of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs, other than individuals, corporate bodies and family offices sponsored by the entities which are associate of the and BRLMs) shall apply in the Offer under the Anchor Investor Portion. For details, see “- *Participation by associates and affiliates of the BRLMs and the Syndicate Member and the persons related to the BRLMs and the Syndicate Member*” on page 365.
- (k) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion will not be considered multiple Bids.

#### **Bids by Systemically Important Non-Banking Financial Companies**

In case of Bids made by NBFC-SI registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) certified copy of its last audited financial statements on a standalone basis, (iii) a net worth certificate from its statutory auditor, and (iv) such other approval as may be required by the NBFC-SI, are required to be attached to the Bid cum Application Form. Failing this, our Company in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof, subject to applicable law. NBFC-SI participating in the Offer shall comply with all applicable regulations, guidelines and circulars issued by RBI from time to time.

The investment limit for NBFC-SI shall be as prescribed by RBI from time to time.

**The above information is given for the benefit of the Bidders. Our Company, the Promoter Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the**

**applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in the Draft Red Herring Prospectus, this Red Herring Prospectus and the Prospectus.**

**In accordance with RBI regulations, OCBs cannot participate in the Offer.**

### **General Instructions**

Please note that QIBs and Non-Institutional Bidders are not permitted to withdraw their Bid(s) or lower the size of their Bid(s) (in terms of quantity of Equity Shares or the Bid Amount) at any stage. RIIs can revise their Bid(s) during the Bid/Offer Period and withdraw or lower the size of their Bid(s) until Bid/Offer Closing Date. Anchor Investors are not allowed to withdraw their Bids after the Anchor Investor Bid/Offer Period.

#### ***Do's:***

1. Check if you are eligible to apply as per the terms of this Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals;
2. Ensure that you have Bid within the Price Band;
3. Read all the instructions carefully and complete the Bid cum Application Form in the prescribed form;
4. Ensure that you (other than the Anchor Investors) have mentioned the correct details of ASBA Account (i.e. bank account number or UPI ID, as applicable) and PAN in the Bid cum Application Form;
5. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the relevant Bidding Centre (except in case of electronic Bids) within the prescribed time;
6. UPI Bidders Bidding in the Offer shall ensure that they use only their own ASBA Account or only their own bank account linked UPI ID (only for UPI Bidders) to make an application in the Offer and not ASBA Account or bank account linked UPI ID of any third party and UPI Bidders must mention their correct UPI ID;
7. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB before submitting the ASBA Form to the relevant Designated Intermediaries;
8. Ensure that the signature of the first Bidder in case of joint Bids, is included in the Bid cum Application Forms. If the first Bidder is not the ASBA Account holder, ensure that the Bid cum Application Form is also signed by the ASBA Account holder;
9. Ensure that the names given in the Bid cum Application Form is/are exactly the same as the names in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain the name of only the first Bidder whose name should also appear as the first holder of the beneficiary account held in joint names;
10. Ensure that you request for and receive a stamped acknowledgement in the form of a counterfoil of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;
11. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;
12. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the circular no. MRD/DoP/Cir-20/2008 dated June 30, 2008 issued by SEBI, may be exempt from specifying their PAN for transacting in the securities market, (ii) Bids by persons resident in the state of Sikkim, who, in terms of the circular dated July 20, 2006 issued by SEBI, may be exempted from specifying their PAN for transacting in the securities market, and (iii) persons/entities exempt from holding a PAN under applicable law, all Bidders should mention their PAN allotted under the IT Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficial owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case



of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned will be rejected;

13. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;
14. Ensure that the category and the investor status is indicated in the Bid cum Application Form to ensure proper upload of your Bid in the electronic Bidding system of the Stock Exchanges;
15. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents including a copy of the power of attorney, if applicable, are submitted;
16. Ensure that Bids submitted by any person outside India is in compliance with applicable foreign and Indian laws;
17. However, Bids received from FPIs bearing the same PAN shall not be treated as multiple Bids in the event such FPIs utilise the MIM Structure and such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs.
18. Since the Allotment will be in dematerialised form only, ensure that the depository account is active, the correct DP ID, Client ID, UPI ID (for UPI Bidders) and the PAN are mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID, UPI ID (for UPI Bidders) and the PAN entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, UPI ID (for UPI Bidders) and PAN available in the Depository database;
19. In case of QIBs and NIIs, ensure that while Bidding through a Designated Intermediary, the ASBA Form is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at [http:// www.sebi.gov.in](http://www.sebi.gov.in));
20. Ensure that you have correctly signed the authorisation/undertaking box in the Bid cum Application Form, or have otherwise provided an authorisation to the SCSB or the Sponsor Bank, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form at the time of submission of the Bid. In case of UPI Bidders, ensure that you authorise the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;
21. Ensure that the Demographic Details are updated, true and correct in all respects;
22. The ASBA Bidders shall use only their own bank account or only their own bank account linked UPI ID for the purposes of making Application in the Offer, which is UPI 2.0 certified by NPCI;
23. The ASBA bidders shall ensure that bids above ₹ 5,00,000, are uploaded only by the SCSBs;
24. Bidders (except UPI Bidders) should instruct their respective banks to release the funds blocked in the ASBA account under the ASBA process. In case of UPI Bidders, once the Sponsor Bank issues the Mandate Request, the UPI Bidders would be required to proceed to authorise the blocking of funds by confirming or accepting the UPI Mandate Request to authorise the blocking of funds equivalent to application amount and subsequent debit of funds in case of Allotment, in a timely manner;
25. Bidding through UPI Mechanism shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorise the UPI Mandate Request using his/her UPI PIN. Upon the authorisation of the mandate using his/her UPI PIN, a UPI Bidder Bidding through UPI Mechanism shall be deemed to have verified the attachment containing the application details of the UPI Bidder Bidding through UPI Mechanism in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorised the Sponsor Bank issue a request to block the Bid Amount specified in the Bid cum Application Form in his/her ASBA Account;

26. For UPI Bidders using the UPI mechanism, ensure that you approve the Mandate Request generated by the Sponsor Bank(s) to authorise blocking of funds equivalent to application amount and subsequent debit of funds in case of Allotment, in a timely manner;
27. UPI Bidders should mention valid UPI ID of only the Bidder (in case of single account) and of the first Bidder (in case of joint account) in the Bid cum Application Form;
28. UPI Bidders who have revised their Bids subsequent to making the initial Bid should also approve the revised UPI Mandate Request generated by the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount and subsequent debit of funds in case of Allotment in a timely manner.
29. Ensure that the PAN is linked with Aadhaar and is in compliance with CBDT notification dated February 13, 2020, and press release dated June 25, 2021.
30. Bids by Eligible NRIs HUFs and any individuals, corporate bodies and family offices which are recategorised as Category II FPI and registered with SEBI for a Bid Amount of less than ₹ 200,000 would be considered under the Retail Category for the purposes of allocation and Bids for a Bid Amount exceeding ₹ 200,000 would be considered under the Non-Institutional Category for allocation in the Offer; and
31. Ensure that Anchor Investors submit their Bid cum Application Forms only to the BRLMs.
32. If you are in the United States or a U.S. person then you are both a U.S. QIB and a QP, and you will purchase, hold or transfer Equity Shares amounting to at least US\$250,000 or its equivalent in another currency.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 is liable to be rejected.

Bids by eligible NRIs for a Bid Amount of less than ₹ 200,000 would be considered under the Retail category for the purposes of allocation and Bids for a Bid Amount exceeding ₹ 200,000 would be considered under the Non-Institutional category for allocation in the Offer.

***Don'ts:***

1. Do not Bid for lower than the minimum Bid Lot;
2. Do not submit a Bid using UPI ID, if you are not a UPI Bidder;
3. Do not Bid on another Bid cum Application Form and the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediary;
4. Do not Bid/revise the Bid amount to less than the floor price or higher than the cap price;
5. Do not pay the Bid Amount in cheques, demand drafts or by cash, money order, postal order or by stock invest;
6. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;
7. Do not Bid at Cut-off Price (for Bids by QIBs and Non-Institutional Bidders);
8. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;
9. Do not submit the Bid for an amount more than funds available in your ASBA account;
10. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of Bidder;

11. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;
12. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);
13. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Red Herring Prospectus;
14. Do not Bid for Equity Shares more than specified by the respective Stock Exchanges for each category;
15. In case of ASBA Bidders (other than UPI bidders), do not submit more than one Bid cum Application Form per ASBA Account;
16. In case of ASBA Bidders (other than 3-in-1 Bids), the Syndicate Member shall ensure that they do not upload any bids above ₹ 500,000;
17. If you are a UPI Bidder, do not submit more than one Bid cum Application Form for each UPI ID;
18. Do not make the Bid cum Application Form using third party bank account or using third party linked bank account UPI ID;
19. Anchor Investors should not bid through the ASBA process;
20. Do not submit the Bid cum Application Form to any non-SCSB bank or our Company;
21. Do not Bid on another Bid cum Application Form and the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;
22. Do not submit the GIR number instead of the PAN;
23. Anchor Investors should submit Anchor Investor Application Form only to the BRLMs;
24. Do not Bid on a Bid cum Application Form that does not have the stamp of a Designated Intermediary;
25. If you are a QIB, do not submit your Bid after 3 p.m. on the QIB Bid/Offer Closing Date;
26. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. Retail Individual Investors can revise or withdraw their Bids on or before the Bid/Offer Closing Date;
27. Do not submit Bids to a Designated Intermediary at a location other than at the relevant Bidding Centres. If you are RII and are using UPI mechanism, do not submit the ASBA Form directly with SCSBs;
28. Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID, if applicable, details if you are a UPI Bidder. Further, do not provide details for a beneficiary account which is suspended or for which details cannot be verified to the Registrar to the Offer;
29. Do not submit the Bid without ensuring that funds equivalent to the entire Bid Amount are available for blocking in the relevant ASBA account;
30. Do not link the UPI ID with a bank account maintained with a bank that is not UPI 2.0 certified by the NPCI in case of Bids submitted by UPI Bidders;
31. UPI Bidders using the incorrect UPI handle or using a bank account of an SCSB or a banks which is not mentioned in the list provided in the SEBI website is liable to be rejected; and
32. Do not submit more than one Bid cum Application Form for each UPI ID in case of UPI Bidders.
33. Do not Bid if you are an OCB.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

For helpline details of the BRLMs pursuant to the SEBI/HO.CFD.DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, see “*General Information – Book Running Lead Managers*” on page 76.

Further, in case of any pre-Offer or post Offer related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors shall reach out the Company Secretary, Legal and Compliance Officer. For details of the Company Secretary, Legal and Compliance Officer, see “*General Information- Company Secretary, Legal and Compliance Officer*” on page 75.

For details of grounds for technical rejections of a Bid cum Application Form, see the General Information Document.

#### **Names of entities responsible for finalising the basis of allotment in a fair and proper manner**

The authorised employees of the Designated Stock Exchanges, along with the BRLMs and the Registrar to the Offer, shall ensure that the Basis of Allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

#### **Method of allotment as may be prescribed by SEBI from time to time**

Our Company will not make any allotment in excess of the Equity Shares offered through the Offer through this Red Herring Prospectus except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an allotment of not more than 1% of the Offer to public may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the RIIs, NIBs and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each RII shall not be less than the minimum bid lot, subject to the availability of shares in RII category, and the remaining available shares, if any, shall be allotted on a proportionate basis.

#### **Payment into Anchor Investor Escrow Account**

Our Company in consultation with the BRLMs will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which, the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. For Anchor Investors, the payment instruments for payment into the Anchor Investor Escrow Account should be drawn in favour of:

- (a) In case of resident Anchor Investors: “DCX SYSTEMS LIMITED –ANCHOR R”
- (b) In case of Non-Resident Anchor Investors: “DCX SYSTEMS LIMITED–ANCHOR NR”

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Promoter Selling Shareholders, the Syndicate, the Escrow Collection Bank and the Registrar to the Offer to facilitate collections of Bid amounts from Anchor Investors.

#### **Pre-Offer Advertisement**

Subject to Section 30 of the Companies Act, 2013, our Company shall, after filing this Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed under the SEBI ICDR Regulations, in all editions of Financial Express (a widely circulated English national daily newspaper), all editions of Jansatta (a widely circulated Hindi national daily newspaper) and Bangalore edition of Vishwavani (a widely circulated Kannada daily newspaper, Kannada being the regional language of Karnataka, where our Registered and Corporate Office is located).

In the pre-Offer advertisement, we shall state the Bid/Offer Opening Date and the Bid/Offer Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act, 2013, shall be in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

**The information set out above is given for the benefit of the Bidders/applicants. Our Company, the respective Promoter Selling Shareholders, and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders/applicants are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations.**

#### **Signing of the Underwriting Agreement and Filing with the RoC**

- (a) Our Company, the Promoter Selling Shareholders and the Underwriters intend to enter into an Underwriting Agreement after the finalisation of the Offer Price.
- (b) After signing the Underwriting Agreement, the Prospectus will be filed with the RoC in accordance with applicable law. The Prospectus will contain details of the Offer Price, the Anchor Investor Offer Price, the Offer size, and underwriting arrangements and will be complete in all material respects.

#### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013, which is reproduced below:

*“Any person who:*

- (a) *makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- (b) *makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,*

*shall be liable for action under Section 447”*

The liability prescribed under Section 447 of the Companies Act, 2013, for fraud involving an amount of at least ₹ 1 million or 1% of the turnover of the Company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹ 1 million or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹ 5.00 million or with both.

#### **Undertakings by our Company**

Our Company undertakes the following:

- the complaints received in respect of the Offer shall be attended to by our Company expeditiously and satisfactorily;
- all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within six Working Days of the Bid/Offer Closing Date or within such other time period prescribed by SEBI will be taken;
- the funds required for making refunds/unblocking (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Offer by our Company;
- if Allotment is not made within the prescribed timelines under applicable laws, the Company shall refund the money raised in the Offer within the time prescribed under applicable laws. If there is a delay beyond such prescribed time, our Company shall pay interest prescribed under the Companies Act, 2013, the SEBI ICDR Regulations and other applicable laws for the delayed period;

- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within time prescribed under applicable laws, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that if our Company do not proceed with the Offer after the Bid/Offer Closing Date but prior to Allotment, the reason thereof shall be given as a public notice within two days of the Bid/Offer Closing Date. The public notice shall be issued in the same newspapers where the pre-Offer advertisements were published. The Stock Exchanges shall be informed promptly;
- that if our Company withdraw the Offer after the Bid/Offer Closing Date, our Company shall be required to file a fresh offer document with SEBI, in the event our Company subsequently decide to proceed with the Offer;
- No further issue of securities shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc; and
- adequate arrangements shall be made to collect all Bid cum Application Forms from Bidders.

#### **Undertakings by the Promoter Selling Shareholders**

Each Promoter Selling Shareholder severally and not jointly, specifically undertakes and/or confirms the following in respect of itself and its respective portion of the Offered Shares:

- it is the legal and beneficial holder and has full title to its respective portion of the Offered Shares;
- its respective portion of the Offered Shares are fully paid and are in dematerialized form;
- its respective portion of the Offered Shares are free and clear of any encumbrances, and shall be transferred to the Bidders within the time specified under applicable law;
- it shall not offer, lend, pledge, charge, transfer or otherwise encumber, sell, dispose of any of its portion of the Offered Shares being offered pursuant to the Offer until such time that the lock-in remains effective save and except as may be permitted under the SEBI ICDR Regulations;
- that it will provide such reasonable support and extend such reasonable cooperation as may be required by our Company and the BRLMs in redressal of such investor grievances that pertain to its portion of the Offered Shares, and
- it shall not have recourse to the proceeds from the Offer for Sale until receipt by our Company of the final listing and trading approvals from all the Stock Exchanges in accordance with applicable law.

The decisions with respect to the Price Band, the minimum Bid lot, revision of Price Band, Offer Price, will be taken by our Company in consultation with the BRLMs.

The statements and undertakings provided above, in relation to the Promoter Selling Shareholders, are statements, which are specifically confirmed or undertaken, severally and not jointly, by each Promoter Selling Shareholder in relation to itself and its respective portion of the Offered Shares. All other statements, undertakings, or both in this Red Herring Prospectus in relation to the Promoter Selling Shareholders, shall be statements made by our Company, even if the same relate to the Promoter Selling Shareholders.

#### **Utilisation of Offer Proceeds**

Our Board certifies that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-Section (3) of Section 40 of the Companies Act, 2013;
- details of all monies utilised out of the Fresh Issue shall be disclosed, and continue to be disclosed till the time any part of the Fresh Issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised; and

- (iii) details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. The responsibility of granting approval for foreign investment under the Consolidated FDI Policy and FEMA has been entrusted to the concerned ministries/departments.

The Government of India has from time to time made policy pronouncements on FDI through press notes and press releases. The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry (formerly Department of Industrial Policy and Promotion), Government of India (“DPIIT”) issued the Consolidated FDI Policy, which consolidates and supersedes all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect prior to October 15, 2020.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of RBI, provided that: (i) the activities of the investee company are under the automatic route under the Consolidated FDI Policy and transfer does not attract the provisions of the SEBI Takeover Regulations, (ii) the non-resident shareholding is within the sectoral limits under the Consolidated FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

FDI in companies engaged in sectors/ activities which are not listed in the FDI Policy is permitted up to 100% of the paid up share capital of such company under the automatic route, subject to compliance with certain prescribed conditions.

Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 which came into effect from April 22, 2020, any investment, subscription, purchase or sale of equity instruments by entities of a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country (“**Restricted Investors**”), will require prior approval of the Government, as prescribed in the Consolidated FDI Policy and the FEMA Rules. Further, in the event of transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/ purview, such subsequent change in the beneficial ownership will also require approval of the Government. Each Bidder should seek independent legal advice about its ability to participate in the Offer. In the event such prior approval of the Government of India is required, and such approval has been obtained, the Bidder shall intimate our Company and the Registrar to the Offer in writing about such approval along with a copy thereof within the Offer Period.

Pursuant to the Consolidated FDI Policy, FDI of up to 74% under automatic route shall be permitted for companies seeking new industrial licenses, and FDI beyond 74% is permitted under the government route in an industry requiring industrial license, wherever it was likely to result in access to modern technology or for other reasons to be recorded. FDI of up to 49% is permitted under the automatic route in our Company, and FDI beyond 49% in our Company, is permitted under government approval route.

For details of the aggregate limit for investments by NRIs, FPIs and FVCIs in our Company, see “*Offer Procedure - Bids by Eligible NRIs*”, “*Offer Procedure - Bids by FPIs*” “*Offer Procedure- Bids by SEBI registered VCFs, AIFs and FVCIs*” on page 366,367 and 368, respectively.

As per the existing policy of the Government of India, OCBs cannot participate in this Offer.

For further details, see “*Offer Procedure*” on page 360.

**The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States. Accordingly, the Equity Shares are being offered and sold outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**



**The above information is given for the benefit of the Bidders. Our Company, the Promoter Selling Shareholders and the Book Running Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

**SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION**

**<sup>1</sup>ARTICLES OF ASSOCIATION  
OF  
(<sup>2</sup>)(<sup>3</sup>)DCX SYSTEMS LIMITED  
(Formerly known as DCX SYSTEMS PRIVATE LIMITED/  
DCX CABLE ASSEMBLIES PRIVATE LIMITED)**

**(Company limited by shares and incorporated under The Companies Act, 1956)**

| <b>Sr. No</b> | <b>Particulars</b>  |                                  |
|---------------|---|----------------------------------|
| <b>1.</b>     | No regulation contained in Table “F” in the First Schedule to Companies Act, 2013 shall apply to this Company but the regulations for the Management of the Company and for the observance of the Members thereof and their representatives shall be as set out in the relevant provisions of the Companies Act, 2013 and subject to any exercise of the statutory powers of the Company with reference to the repeal or alteration of or addition to its regulations by Special Resolution as prescribed by the said Companies Act, 2013 be such as are contained in these Articles unless the same are repugnant or contrary to the provisions of the Companies Act, 2013 or any amendment thereto. | <b>Table F Applicable.</b>       |
|               | <b>Interpretation Clause</b>  |                                  |
| <b>2.</b>     | In the interpretation of these Articles the following expressions shall have the following meanings unless repugnant to the subject or context:   |                                  |
|               | (a) "The Act" means the Companies Act, 2013 and includes any statutory modification or re-enactment thereof for the time being in force.  | <b>Act</b>                       |
|               | (b) "These Articles" means Articles of Association for the time being in force or as may be altered from time to time vide Special Resolution.  | <b>Articles</b>                  |
|               | (c) "Auditors" means and includes those persons appointed as such for the time being of the Company.  | <b>Auditors</b>                  |
|               | (d) "Capital" means the share capital for the time being raised or authorized to be raised for the purpose of the Company.  | <b>Capital</b>                   |
|               | (e) *"The Company" shall mean DCX SYSTEMS LIMITED   |                                  |
|               | (f) "Executor" or "Administrator" means a person who has obtained a probate or letter of administration, as the case may be from a Court of competent jurisdiction and shall include a holder of a Succession Certificate authorizing the holder thereof to negotiate or transfer the Share or Shares of the deceased Member and shall also include the holder of a Certificate granted by the Administrator General under Section 31 of the Administrator General Act, 1963.   | <b>Executor or Administrator</b> |

<sup>1</sup> The following regulations comprised in these Articles of Association were adopted pursuant to members' special resolution passed at the Extra-Ordinary General Meeting held on 02-02-2022 in substitution for and to the entire exclusion of, the regulations contained in the existing Articles of Association of the Company.

<sup>2</sup> Name changed from DCX SYSTEMS PRIVATE LIMITED to DCX SYSTEMS LIMITED vide Special Resolution at the Extra-Ordinary General Meeting held on 02-02-2022.

<sup>3</sup> Name changed from DCX CABLE ASSEMBLIES PRIVATE LIMITED to DCX SYSTEMS PRIVATE LIMITED vide Special Resolution at the Extra-Ordinary General Meeting held on 24-11-2021.

| <b>Sr. No</b> | <b>Particulars</b>   |  |
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|               | (g) "Legal Representative" means a person who in law represents the estate of a deceased Member.   | <b>Legal Representative</b>  |
|               | (h) Words importing the masculine gender also include the feminine gender.   | <b>Gender</b>  |
|               | (i) "In Writing" and "Written" includes printing lithography and other modes of representing or reproducing words in a visible form.   | <b>In Writing and Written</b>                                      |
|               | (j) The marginal notes hereto shall not affect the construction thereof.   | <b>Marginal notes</b>  |
|               | (k) "Meeting" or "General Meeting" means a meeting of members.   | <b>Meeting or General Meeting</b>                                  |
|               | (l) "Month" means a calendar month.  | <b>Month</b>   |
|               | (m) "Annual General Meeting" means a General Meeting of the Members held in accordance with the provision of Section 96 of the Act.  | <b>Annual General Meeting</b>                                      |
|               | (n) "Extra-Ordinary General Meeting" means an Extraordinary General Meeting of the Members duly called and constituted and any adjourned holding thereof.                              | <b>Extra-Ordinary General Meeting</b>                              |
|               | (o) "National Holiday" means and includes a day declared as National Holiday by the Central Government.  | <b>National Holiday</b>  |
|               | (p) "Non-retiring Directors" means a director not subject to retirement by rotation.   | <b>Non-retiring Directors</b>                                      |
|               | (q) "Office" means the registered Office for the time being of the Company.  | <b>Office</b>  |
|               | (r) "Ordinary Resolution" and "Special Resolution" shall have the meanings assigned thereto by Section 114 of the Act.   | <b>Ordinary and Special Resolution</b>                             |
|               | (s) "Person" shall be deemed to include corporations and firms as well as individuals.   | <b>Person</b>  |
|               | (t) "Proxy" means an instrument whereby any person is authorized to vote for a member at General Meeting or Poll and includes attorney duly constituted under the power of attorney.   | <b>Proxy</b>   |
|               | (u) "The Register of Members" means the Register of Members to be kept pursuant to Section 88(1) (a) of the Act.   | <b>Register of Members</b>   |
|               | (v) "Seal" means the common seal for the time being of the Company.  | <b>Seal</b>  |
|               | (w) Words importing the Singular number include where the context admits or requires the plural number and vice versa.   | <b>Singular number</b>   |
|               | (x) "The Statutes" means the Companies Act, 2013 and every other Act for the time being in force affecting the Company.  | <b>Statutes</b>  |
|               | (y) "These presents" means the Memorandum of Association and the Articles of Association as originally framed or as altered from time to time.   | <b>These presents</b>  |
|               | (z) "Variation" shall include abrogation; and "vary" shall include abrogate.   | <b>Variation</b>   |
|               | (aa) "Year" means the calendar year and "Financial Year" shall have the meaning assigned thereto by Section 2(41) of the Act.  | <b>Year and Financial Year</b>                                     |
|               | Save as aforesaid any words and expressions contained in these Articles shall bear the same meanings as in the Act or any statutory modifications thereof for the time being in force. | <b>Expressions in the Act to bear the same meaning in Articles</b> |
|               | <b>CAPITAL</b>   |  |

| Sr. No | Particulars   |   |
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| 3.     | The Authorized Share Capital of the Company shall be such amount as may be mentioned in Clause V of Memorandum of Association of the Company from time to time.   | <b>Authorized Capital.</b>  |
| 4.     | The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 47 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 64 of the Act.  | <b>Increase of capital by the Company how carried into effect</b>   |
| 5.     | Except so far as otherwise provided by the conditions of issue or by these Presents, any capital raised by the creation of new Shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.   | <b>New Capital same as existing capital</b>                         |
| 6.     | The Board shall have the power to issue a part of authorized capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.   | <b>Non-Voting Shares</b>  |
| 7.     | Subject to the provisions of the Act and these Articles, the Board of Directors may issue redeemable preference shares to such persons, on such terms and conditions and at such times as Directors think fit either at premium or at par, and with full power to give any person the option to call for or be allotted shares of the company either at premium or at par, such option being exercisable at such times and for such consideration as the Board thinks fit.  | <b>Redeemable Preference Shares</b>                                 |
| 8.     | The holder of Preference Shares shall have a right to vote only on Resolutions, which directly affect the rights attached to his Preference Shares.   | <b>Voting rights of preference shares</b>                           |
| 9.     | On the issue of redeemable preference shares under the provisions of Article 7 hereof, the following provisions shall take effect:<br>(a) No such Shares shall be redeemed except out of profits of which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption;<br>(b) No such Shares shall be redeemed unless they are fully paid;<br>(c) Subject to Section 55(2)(d)(i) of the Act the premium, if any payable on redemption shall have been provided for out of the profits of the Company or out of the Company's security premium account, before the Shares are redeemed;<br>(d) Where any such Shares are redeemed otherwise then out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account", a sum equal to the | <b>Provisions to apply on issue of Redeemable Preference Shares</b> |

| Sr. No | Particulars  |   |
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|        | <p>nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 55 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company; and</p> <p>(e) Subject to the provisions of Section 55 of the Act, the redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit. The reduction of Preference Shares under the provisions by the Company shall not be taken as reducing the amount of its Authorized Share Capital</p> |   |
| 10.    | <p>The Company may (subject to the provisions of Sections 52, 55, 66, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce</p> <p>(a) the share capital;</p> <p>(b) any capital redemption reserve account; or</p> <p>(c) any security premium account</p> <p>In any manner for the time being, authorized by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.</p>  | <b>Reduction of capital</b>                         |
| 11.    | <p>Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.</p>   | <b>Debentures</b>                                   |
| 12.    | <p>The Company may exercise the powers of issuing sweat equity shares conferred by Section 54 of the Act of a class of shares already issued subject to such conditions as may be specified in that sections and rules framed thereunder.</p>  | <b>Issue of Sweat Equity Shares</b>                 |
| 13.    | <p>The Company may issue shares to Employees including its Directors other than independent directors and such other persons as the rules may allow, under Employee Stock Option Scheme (“ESOP”) or any other scheme, if authorized by a Special Resolution of the Company in general meeting subject to the provisions of the Act, the Rules and applicable guidelines made there under, by whatever name called.</p>   | <b>ESOP</b>   |
| 14.    | <p>Notwithstanding anything contained in these articles but subject to the provisions of Sections 68 to 70 and any other applicable provision of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.</p>  | <b>Buy Back of shares</b>                           |
| 15.    | <p>Subject to the provisions of Section 61 of the Act, the Company in general meeting may, from time to time, sub-divide or consolidate all or any of the share capital into shares of larger amount than its existing share or sub-divide its shares, or any of them into shares of smaller amount than is fixed by the Memorandum; subject nevertheless, to the provisions of clause (d) of sub-section (1) of Section 61; Subject as aforesaid the Company in general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish</p>   | <b>Consolidation, Sub-Division and Cancellation</b> |

| Sr. No                              | Particulars   |  |
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|                                     | the amount of its share capital by the amount of the shares so cancelled.   |  |
| 16.                                 | Subject to compliance with applicable provision of the Act and rules framed thereunder the company shall have power to issue depository receipts in any foreign country.  | <b>Issue of Depository Receipts</b>  |
| 17.                                 | Subject to compliance with applicable provision of the Act and rules framed thereunder the company shall have power to issue any kind of securities as permitted to be issued under the Act and rules framed thereunder.  | <b>Issue of Securities</b>   |
| <b>MODIFICATION OF CLASS RIGHTS</b> |   |  |
| 18.                                 | (a) If at any time the share capital, by reason of the issue of Preference Shares or otherwise is divided into different classes of shares, all or any of the rights privileges attached to any class (unless otherwise provided by the terms of issue of the shares of the class) may, subject to the provisions of Section 48 of the Act and whether or not the Company is being wound-up, be varied, modified or dealt, with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate class of meeting. Provided that if variation by one class of shareholders affects the rights of any other class of shareholders, the consent of three-fourths of such other class of shareholders shall also be obtained and the provisions of this section shall apply to such variation.  | <b>Modification of rights</b>  |
|                                     | (b) The rights conferred upon the holders of the Shares including Preference Share, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of shares of that class, be deemed not to be modified, commuted, affected, abrogated, dealt with or varied by the creation or issue of further shares ranking <i>pari passu</i> therewith.  | <b>New Issue of Shares not to affect rights attached to existing shares of that class.</b> |
| 19.                                 | Subject to the provisions of Section 62 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company In the General Meeting. | <b>Shares at the disposal of the Directors.</b>  |
| 20.                                 | The Company may issue shares or other securities in any manner whatsoever including by way of a preferential offer, to any persons whether or not those persons include the persons referred to in clause (a) or clause (b) of sub-section (1) of Section 62 of the Act subject to compliance with Section 42 and 62 of the Act and rules framed thereunder.  | <b>Power to issue shares on preferential basis.</b>  |

| Sr. No | Particulars  |  |
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|        | <p>20.1. Where at any time the Board or the Company, as the case may be, propose to increase the subscribed capital by the issue of further shares then such shares shall be offered, subject to the provisions of section 62 of the Act, and the rules made thereunder:</p> <p>20.1.1.</p> <p>(i) to the persons who at the date of the offer are holders of the Equity Shares of the Company, in proportion as nearly as circumstances admit, to the paid-up share capital on those shares by sending a letter of offer subject to the conditions mentioned in (ii) to (iv) below;</p> <p>(ii) The offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days or such lesser number of days as may be prescribed and not exceeding thirty days from the date of the offer, within which the offer if not accepted, shall be deemed to have been declined.</p> <p>Provided that the notice shall be dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all the existing shareholders at least three days before the opening of the issue;</p> <p>(iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (ii) shall contain a statement of this right; Provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.</p> <p>(iv) After the expiry of time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that the person declines to accept the shares offered, the Board of Directors may dispose of them in such manner which is not disadvantageous to the Members and the Company;</p> <p>20.1.2. to employees under any scheme of employees' stock option subject to Special Resolution passed by the Company and subject to the rules and such other conditions, as may be prescribed under Applicable Law; or</p> <p>20.1.3. to any person(s), if it is authorised by a Special Resolution, whether or not those persons include the persons referred to in Article 20.1.1 or Article 20.1.2 above either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed under the Act and the rules made thereunder;</p> |  |

| Sr. No | Particulars  |  |
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|        | <p>20.2. Nothing in sub-article (iii) of Article 20.1.1 shall be deemed:</p> <p style="padding-left: 40px;">20.2.1 To extend the time within which the offer should be accepted; or</p> <p style="padding-left: 40px;">20.2.2 To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the Shares compromised in the renunciation.</p> <p>20.3. Nothing in this article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option as a term attached to the debentures issued or loan raised by the Company to convert such debentures or loans into shares in the Company:</p> <p style="padding-left: 40px;">Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the Company in general meeting.</p> <p>20.4. Notwithstanding anything contained in Article 20.3 hereof, where any debentures have been issued, or loan has been obtained from any government by the Company, and if that government considers it necessary in the public interest so to do, it may, by order, direct that such debentures or loans or any part thereof shall be converted into shares in the Company on such terms and conditions as appear to the Government to be reasonable in the circumstances of the case even if terms of the issue of such debentures or the raising of such loans do not include a term for providing for an option for such conversion:</p> <p style="padding-left: 40px;">Provided that where the terms and conditions of such conversion are not acceptable to the Company, it may, within sixty days from the date of communication of such order, appeal to National Company Law Tribunal which shall after hearing the Company and the Government pass such order as it deems fit.</p> <p style="padding-left: 40px;">A further issue of shares may be made in any manner whatsoever as the Board may determine including by way of preferential offer or private placement, subject to and in accordance with the Act and the rules made thereunder.</p> |  |
| 21.    | <p>The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.</p>   | <p><b>Shares should be Numbered progressively and no share to be subdivided.</b></p> |
| 22.    | <p>An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register shall for the purposes of these Articles, be a Member.</p>  | <p><b>Acceptance of Shares.</b></p>  |



| Sr. No  | Particulars   |   |
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| 23.   | Subject to the provisions of the Act and these Articles, the Directors may allot and issue shares in the Capital of the Company as payment or part payment for any property (including goodwill of any business) sold or transferred, goods or machinery supplied or for services rendered to the Company either in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid-up or partly paid-up otherwise than in cash, and if so issued, shall be deemed to be fully paid-up or partly paid-up shares as aforesaid.   | <b>Directors may allot shares as full paid-up</b>             |
| 24.   | The money (if any) which the Board shall on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them shall become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him, accordingly.  | <b>Deposit and call etc.to be a debt payable immediately.</b> |
| 25.   | Every Member, or his heirs, executors, administrators, or legal representatives, shall pay to the Company the portion of the Capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require on date fixed for the payment thereof.  | <b>Liability of Members.</b>                                  |
| 26.   | Shares may be registered in the name of any limited company or other corporate body but not in the name of a firm, an insolvent person or a person of unsound mind.   | <b>Registration of Shares.</b>                                |
| <b>RETURN ON ALLOTMENTS TO BE MADE OR RESTRICTIONS ON ALLOTMENT</b> |   |   |
| 27.   | The Board shall observe the restrictions as regards allotment of shares to the public, and as regards return on allotments contained in Section 39 of the Act   |   |
| <b>CERTIFICATES</b>   |   |   |
| 28.   | (a) Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as provided in the relevant laws) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates, unless prohibited by any provision of law or any order of court, tribunal or other authority having jurisdiction, within two months from the date of allotment, or within one month of the receipt of application for registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be, or within a period of six (6) months from the date of allotment in the case of any allotment of debenture. Every certificate of shares shall be under the seal of the company, if any, and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite | <b>Share Certificates.</b>                                    |

| Sr. No | Particulars  |   |
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|        | <p>value, save in cases of issues against letter of acceptance or of renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, if any, which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose and two Directors or their attorneys and the Secretary or other person shall sign the share certificate, provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or whole-time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person, to whom it has been issued, indicating the date of issue.</p> <p>(b) Any two or more joint allottees of shares shall, for the purpose of this Article, be treated as a single member, and the certificate of any shares which may be the subject of joint ownership, may be delivered to anyone of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupees Fifty. The Company shall comply with the provisions of Section 39 of the Act.</p> <p>(c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.</p> |   |
| 29.    | <p>If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.50/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer. Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956, or any other Act, or rules applicable in this behalf. The provisions of this Article shall mutatis mutandis apply to debentures of the Company.</p>   | <p><b>Issue of new certificates in place of those defaced, lost or destroyed.</b></p> |
| 30.    | <p>(a) If any share stands in the names of two or more persons, the person first named in the Register shall as regard receipts of dividends or bonus or service of notices and all or any other matter connected with the Company except voting at meetings, and the transfer of the shares, be deemed sole</p>   | <p><b>The first named joint holder deemed Sole holder.</b></p>                        |

| Sr. No                            | Particulars   |  |
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|                                   | holder thereof but the joint-holders of a share shall be severally as well as jointly liable for the payment of all calls and other payments due in respect of such share and for all incidentals thereof according to the Company's regulations.   |  |
|                                   | (b) The Company shall not be bound to register more than three persons as the joint holders of any share.   | <b>Maximum number of joint holders.</b>  |
| <b>31.</b>                        | Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise any equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof but the Board shall be at liberty at its sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.  | <b>Company not bound to recognise any interest in share other than that of registered holders.</b> |
| <b>32.</b>                        | If by the conditions of allotment of any share the whole or part of the amount or issue price thereof shall be payable by instalment, every such instalment shall when due be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share or his legal representative.   | <b>Instalment on shares to be duly paid.</b>   |
| <b>UNDERWRITING AND BROKERAGE</b> |   |  |
| <b>33.</b>                        | Subject to the provisions of Section 40 (6) of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing, to subscribe (whether absolutely or conditionally) for any shares or debentures in the Company, or procuring, or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares or debentures in the Company but so that the commission shall not exceed the maximum rates laid down by the Act and the rules made in that regard. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or partly in one way and partly in the other. | <b>Commission</b>  |
| <b>34.</b>                        | The Company may pay on any issue of shares and debentures such brokerage as may be reasonable and lawful.   | <b>Brokerage</b>   |
| <b>CALLS</b>                      |   |  |
| <b>35.</b>                        | (1) The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board and not by a circular resolution, make such calls as it thinks fit, upon the Members in respect of all the moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the persons and at the time and places appointed by the Board.<br>(2) A call may be revoked or postponed at the discretion of the Board.<br>(3) A call may be made payable by instalments.   | <b>Directors may make calls</b>  |
| <b>36.</b>                        | Fifteen days' notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.  | <b>Notice of Calls</b>   |
| <b>37.</b>                        | A call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed and may be made payable by the members whose names appear on the Register of Members on such date or at the discretion of the Directors on such subsequent date as may be fixed by Directors.   | <b>Calls to date from resolution.</b>  |

| Sr. No | Particulars  |  |
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| 38.    | Whenever any calls for further share capital are made on shares, such calls shall be made on uniform basis on all shares falling under the same class. For the purposes of this Article shares of the same nominal value of which different amounts have been paid up shall not be deemed to fall under the same class.  | <b>Calls on uniform basis.</b>   |
| 39.    | The Board may, from time to time, at its discretion, extend the time fixed for the payment of any call and may extend such time as to all or any of the members who on account of the residence at a distance or other cause, which the Board may deem fairly entitled to such extension, but no member shall be entitled to such extension save as a matter of grace and favour.  | <b>Directors may extend time.</b>                                      |
| 40.    | If any Member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board not exceeding 21% per annum but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.  | <b>Calls to carry interest.</b>  |
| 41.    | If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by instalments at fixed time (whether on account of the amount of the share or by way of premium) every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or instalment accordingly.   | <b>Sums deemed to be calls.</b>  |
| 42.    | On the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the Member in respect of whose shares the money is sought to be recovered, appears entered on the Register of Members as the holder, at or subsequent to the date at which the money is sought to be recovered is alleged to have become due on the share in respect of which such money is sought to be recovered in the Minute Books: and that notice of such call was duly given to the Member or his representatives used in pursuance of these Articles: and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt. | <b>Proof on trial of suit for money due on shares.</b>                 |
| 43.    | Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member of the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce forfeiture of such shares as hereinafter provided.  | <b>Judgment, decree, partial payment motto proceed for forfeiture.</b> |
| 44.    | (a) The Board may, if it thinks fit, subject to the provisions of the Act, receive from any Member willing to advance the same, all or any part of the amounts of his respective shares beyond the sums, actually called up and upon the moneys so paid in advance, or upon so much thereof, from time to time, and at any time thereafter as exceeds the  | <b>Payments in Anticipation of calls may carry interest</b>            |

| Sr. No | Particulars   |   |
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|        | <p>amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest, at such rate as the member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to the Member three months' notice in writing: provided that moneys paid in advance of calls on shares may carry interest but shall not confer a right to dividend or to participate in profits.</p> <p>(b) No Member paying any such sum in advance shall be entitled to voting rights, dividend or right to participate in profits in respect of the moneys so paid by him until the same becomes presently payable. The provisions of this Article shall mutatis mutandis apply to calls on debentures issued by the Company.</p>  |   |
|        | <b>LIEN</b>   |   |
| 45.    | <p>The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Fully paid up Shares shall be free from all liens and in the case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares; Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.</p> | <b>Company to have Lien on shares.</b>  |
| 46.    | <p>For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member or the person (if any) entitled by transmission to the shares and default shall have been made by him in payment, fulfillment of discharge of such debts, liabilities or engagements for seven days after such notice. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof and purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as the Certificates in respect of the shares sold shall stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new Certificate or Certificates in lieu thereof to the purchaser or purchasers concerned.</p>   | <b>As to enforcing lien by sale.</b>    |
| 47.    | <p>The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.</p>   | <b>Application of proceeds of sale.</b> |
|        | <b>FORFEITURE AND SURRENDER OF SHARES</b>   |   |

| Sr. No | Particulars   |  |
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| 48.    | If any Member fails to pay the whole or any part of any call or instalment or any moneys due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may, at any time thereafter, during such time as the call or instalment or any part thereof or other moneys as aforesaid remains unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such Member or on the person (if any) entitled to the shares by transmission, requiring him to pay such call or instalment of such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all reasonable expenses (legal or otherwise) that may have been accrued by the Company by reason of such non-payment. Provided that no such shares shall be forfeited if any moneys shall remain unpaid in respect of any call or instalment or any part thereof as aforesaid by reason of the delay occasioned in payment due to the necessity of complying with the provisions contained in the relevant exchange control laws or other applicable laws of India, for the time being in force. | <b>If call or instalment not paid, notice may be given.</b>                        |
| 49.    | The notice shall name a day (not being less than fourteen days from the date of notice) and a place or places on and at which such call or instalment and such interest thereon as the Directors shall determine from the day on which such call or instalment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place or places appointed, the shares in respect of which the call was made or instalment is payable will be liable to be forfeited.  | <b>Terms of notice.</b>  |
| 50.    | If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter but before payment of all calls or instalments, interest and expenses, due in respect thereof, be forfeited by resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.  | <b>On default of payment, shares to be forfeited.</b>                              |
| 51.    | When any shares have been forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof shall forthwith be made in the Register of Members.  | <b>Notice of forfeiture to a Member</b>  |
| 52.    | Any shares so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board in their absolute discretion shall think fit.  | <b>Forfeited shares to be property of the Company and may be sold etc.</b>         |
| 53.    | Any Member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate as the Board may determine and the Board may enforce the payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture, but shall not be under any obligation to do so.  | <b>Members still liable to pay money owing at time of forfeiture and interest.</b> |
| 54.    | The forfeiture shares shall involve extinction at the time of the forfeiture, of all interest in all claims and demand against the Company, in respect of the share and all other rights incidental   | <b>Effect of forfeiture.</b>   |

| Sr. No                                     | Particulars   |  |
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|  | to the share, except only such of those rights as by these Articles are expressly saved.  |  |
| 55.  | A declaration in writing that the declarant is a Director or Secretary of the Company and that shares in the Company have been duly forfeited in accordance with these articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.   | <b>Evidence of Forfeiture.</b>   |
| 56.  | The Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share and he shall not be bound to see to the application of the consideration: if any, nor shall his title to the share be affected by any irregularly or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the shares.   | <b>Title of purchaser and allottee of Forfeited shares.</b>              |
| 57.  | Upon any sale, re-allotment or other disposal under the provisions of the preceding Article, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto.  | <b>Cancellation of share certificate in respect of forfeited shares.</b> |
| 58.  | In the meantime and until any share so forfeited shall be sold, re-allotted, or otherwise dealt with as aforesaid, the forfeiture thereof may, at the discretion and by a resolution of the Directors, be remitted as a matter of grace and favour, and not as was owing thereon to the Company at the time of forfeiture being declared with interest for the same unto the time of the actual payment thereof if the Directors shall think fit to receive the same, or on any other terms which the Director may deem reasonable.   | <b>Forfeiture may be remitted.</b>                                       |
| 59.  | Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. | <b>Validity of sale</b>  |
| 60.  | The Directors may, subject to the provisions of the Act, accept a surrender of any share from or by any Member desirous of surrendering on such terms the Directors may think fit.  | <b>Surrender of shares.</b>  |
| <b>TRANSFER AND TRANSMISSION OF SHARES</b> |   |  |
| 61.  | (a) The instrument of transfer of any share in or debenture of the Company shall be executed by or on behalf of both the transferor and transferee.<br>(b) The transferor shall be deemed to remain a holder of the share or debenture until the name of the transferee is entered in the Register of Members or Register of Debenture holders in respect thereof.  | <b>Execution of the instrument of shares.</b>                            |
| 62.  | The instrument of transfer of any share or debenture shall be in writing and all the provisions of Section 56 of the Act and  | <b>Transfer Form.</b>  |

| Sr. No | Particulars  |   |
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|        | <p>statutory modification thereof including other applicable provisions of the Act shall be duly complied with in respect of all transfers of shares or debenture and registration thereof. The instrument of transfer shall be in a common form approved by the Exchange;</p>   |   |
| 63.    | <p>The Company shall not register a transfer in the Company other than the transfer between persons both of whose names are entered as holders of beneficial interest in the records of a depository, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee, has been delivered to the Company along with the certificate relating to the shares or if no such share certificate is in existence along with the letter of allotment of the shares: Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp, required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit, provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.</p>  | <p><b>Transfer not to be registered except on production of instrument of transfer.</b></p> |
| 64.    | <p>Subject to the provisions of Section 58 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, decline to register—</p> <p>Subject to the provisions of these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may (at its own absolute and uncontrolled discretion) decline or refuse by giving reasons, whether in pursuance of any power of the Company under these Articles, applicable laws, or otherwise, to register or acknowledge any transfer of, or the transmission by operation of law of the right to, any securities or interest of a Member in the Company, after providing sufficient cause, within a period of (i) fifteen days, in case of transfer of shares, (ii) seven days in case of transmission of shares held in dematerialised form, or (iii) twenty one days in case of transmission of shares held in physical form, or such other time period as prescribed under applicable laws for transfer or transmission of securities, from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company. Provided that the registration of transfer of any securities shall not be refused on the ground of the transferor being alone or jointly with any other person or persons, indebted to the Company on any account whatsoever except where the Company has a lien on Shares. ;</p> | <p><b>Directors may refuse to register transfer.</b></p>                                    |
| 65.    | <p>If the Company refuses to register the transfer of any share or transmission of any right therein, the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the Company, send notice of refusal to the transferee and transferor or to the person giving intimation of the transmission, as the case may be, and there upon the provisions of Section 56 of the Act or any statutory modification thereof for the time being in force shall apply.</p>  | <p><b>Notice of refusal to be given to transferor and transferee.</b></p>                   |



| Sr. No | Particulars   |   |
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| 66.    | No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and letter of administration, Certificate of Death or Marriage, Power of Attorney or similar other document with the Company.   | <b>No fee on transfer.</b>  |
| 67.    | The Board of Directors shall have power on giving not less than seven days previous notice in accordance with Section 91 of the Act and rules made thereunder close the Register of Members and/or the Register of debentures holders and/or other security holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.   | <b>Closure of Register of Members or debenture holder or other security holders..</b> |
| 68.    | The instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the Directors may decline to register shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all the transfer deeds with the Company after such period as they may determine.  | <b>Custody of transfer Deeds.</b>   |
| 69.    | Where an application of transfer relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.  | <b>Application for transfer of partly paid shares.</b>                                |
| 70.    | For this purpose the notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post/speed post/ courier to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.   | <b>Notice to transferee.</b>  |
| 71.    | <p>(a) On the death of a Member, the survivor or survivors, where the Member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only person recognized by the Company as having any title to his interest in the shares.</p> <p>(b) Before recognising any executor or administrator or legal representative, the Board may require him to obtain a Grant of Probate or Letters Administration or other legal representation as the case may be, from some competent court in India.</p> <p>Provided nevertheless that in any case where the Board in its absolute discretion thinks fit, it shall be lawful for the Board to dispense with the production of Probate or letter of Administration or such other legal representation upon such terms as to indemnity or otherwise, as the Board in its absolute discretion, may consider adequate</p> <p>(c) Nothing in clause (a) above shall release the estate of the deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.</p> | <b>Recognition of legal representative.</b>   |
| 72.    | The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such   | <b>Titles of Shares of deceased Member</b>  |

| Sr. No | Particulars  |   |
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|        | Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks fit, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register Shares standing in the name of a deceased Member, as a Member. However, provisions of this Article are subject to Section 72 of the Companies Act.   |   |
| 73.    | Where, in case of partly paid Shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 56 of the Act.  | <b>Notice of application when to be given</b>   |
| 74.    | Subject to the provisions of the Act and these Articles, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy, insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of this title as the Director shall require either be registered as member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as Member in respect of such shares; provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance so he shall not be freed from any liability in respect of such shares. This clause is hereinafter referred to as the 'Transmission Clause'. | <b>Registration of persons entitled to share otherwise than by transfer. (transmission clause).</b> |
| 75.    | Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse or suspend register a person entitled by the transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.   | <b>Refusal to register nominee.</b>   |
| 76.    | Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.   | <b>Board may require evidence of transmission.</b>  |
| 77.    | The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made, or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register or Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or require to regard or attend or give effect to any notice which may be given to them of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do though it may   | <b>Company not liable for disregard of a notice prohibiting registration of transfer.</b>           |

| Sr. No            | Particulars  |  |
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|                   | have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Directors shall so think fit.  |  |
| 78.               | In the case of any share registered in any register maintained outside India the instrument of transfer shall be in a form recognized by the law of the place where the register is maintained but subject thereto shall be as near to the form prescribed in Form no. SH-4 hereof as circumstances permit.  | <b>Form of transfer Outside India.</b>       |
| 79.               | No transfer shall be made to any minor, insolvent or person of unsound mind.   | <b>No transfer to insolvent etc.</b>         |
| <b>NOMINATION</b> |  |  |
| 80.               | <p>i) Notwithstanding anything contained in the articles, every holder of securities of the Company may, at any time, nominate a person in whom his/her securities shall vest in the event of his/her death and the provisions of Section 72 of the Companies Act, 2013 shall apply in respect of such nomination.</p> <p>ii) No person shall be recognized by the Company as a nominee unless an intimation of the appointment of the said person as nominee has been given to the Company during the lifetime of the holder(s) of the securities of the Company in the manner specified under Section 72 of the Companies Act, 2013 read with Rule 19 of the Companies (Share Capital and Debentures) Rules, 2014</p> <p>iii) The Company shall not be in any way responsible for transferring the securities consequent upon such nomination.</p> <p>iv) If the holder(s) of the securities survive(s) nominee, then the nomination made by the holder(s) shall be of no effect and shall automatically stand revoked.</p>  | <b>Nomination</b>                            |
| 81.               | <p>A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-</p> <p>(i) to be registered himself as holder of the security, as the case may be; or</p> <p>(ii) to make such transfer of the security, as the case may be, as the deceased security holder, could have made;</p> <p>(iii) if the nominee elects to be registered as holder of the security, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased security holder as the case may be;</p> <p>(iv) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the security except that he shall not, before being registered as a member in respect of his security, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.</p> <p>Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture, until the requirements of the notice have been complied with.</p> | <b>Transmission of Securities by nominee</b> |

| <b>Sr. No</b> | <b>Particulars</b>  |  |
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|               | <b>DEMATERIALIZATION OF SHARES</b>  |  |
| <b>82.</b>    | Subject to the provisions of the Act and Rules made thereunder the Company may offer its members facility to hold securities issued by it in dematerialized form.   | <b>Dematerialisation of Securities</b>                                       |
|               | <b>JOINT HOLDER</b>   |  |
| <b>83.</b>    | Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint Shareholders with benefits of survivorship subject to the following and other provisions contained in these Articles.   | <b>Joint Holders</b>   |
| <b>84.</b>    | (a) The Joint holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.   | <b>Joint and several liabilities for all payments in respect of shares.</b>  |
|               | (b) on the death of any such joint holders the survivor or survivors shall be the only person recognized by the Company as having any title to the share but the Board may require such evidence of death as it may deem fit and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability of shares held by them jointly with any other person;  | <b>Title of survivors.</b>   |
|               | (c) Any one of two or more joint holders of a share may give effectual receipts of any dividends or other moneys payable in respect of share; and   | <b>Receipts of one sufficient.</b>   |
|               | (d) only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive documents from the Company and any such document served on or sent to such person shall deemed to be service on all the holders.  | <b>Delivery of certificate and giving of notices to first named holders.</b> |
|               | <b>SHARE WARRANTS</b>   |  |
| <b>85.</b>    | The Company may issue warrants subject to and in accordance with provisions of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.   | <b>Power to issue share warrants</b>   |
| <b>86.</b>    | (a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant.<br>(b) Not more than one person shall be recognized as depositor of the Share warrant.<br>(c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor. | <b>Deposit of share warrants</b>   |
| <b>87.</b>    | (a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company.  | <b>Privileges and disabilities of the holders of share warrant</b>           |

| Sr. No                                 | Particulars   |   |
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|  | (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.   |   |
| 88.                                    | The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.   | <b>Issue of new share warrant coupons</b>                 |
| <b>CONVERSION OF SHARES INTO STOCK</b> |   |   |
| 89.                                    | The Company may, by ordinary resolution in General Meeting.<br>a) convert any fully paid-up shares into stock; and<br>b) re-convert any stock into fully paid-up shares of any denomination.  | <b>Conversion of shares into stock or reconversion.</b>   |
| 90.                                    | The holders of stock may transfer the same or any part thereof in the same manner as and subject to the same regulation under which the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit, provided that, the Board may, from time to time, fix the minimum amount of stock transferable so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.  | <b>Transfer of stock.</b>                                 |
| 91.                                    | The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, participation in profits, voting at meetings of the Company, and other matters, as if they hold the shares for which the stock arose but no such privilege or advantage shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.   | <b>Rights of stock holders.</b>                           |
| 92.                                    | Such of the regulations of the Company (other than those relating to share warrants), as are applicable to paid up share shall apply to stock and the words "share" and "shareholders" in those regulations shall include "stock" and "stockholders" respectively.  | <b>Regulations.</b>                                       |
| <b>BORROWING POWERS</b>                |   |   |
| 93.                                    | Subject to the provisions of the Act and these Articles, the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board generally raise or borrow money by way of deposits, loans, overdrafts, cash credit or by issue of bonds, debentures or debenture-stock (perpetual or otherwise) or in any other manner, or from any person, firm, company, co-operative society, any body corporate, bank, institution, whether incorporated in India or abroad, Government or any authority or any other body for the purpose of the Company and may secure the payment of any sums of money so received, raised or borrowed; provided that the total amount borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not without the consent of the Company in General Meeting exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specified purpose. | <b>Power to borrow.</b>                                   |
| 94.                                    | Subject to the provisions of the Act and these Articles, any bonds, debentures, debenture-stock or any other securities may be issued at a discount, premium or otherwise and with any special privileges and conditions as to redemption, surrender, allotment of shares, appointment of Directors or otherwise; provided that debentures with the right to allotment of or  | <b>Issue of discount etc. or with special privileges.</b> |

| Sr. No                     | Particulars   |  |
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|                            | conversion into shares shall not be issued except with the sanction of the Company in General Meeting.  |  |
| 95.                        | The payment and/or repayment of moneys borrowed or raised as aforesaid or any moneys owing otherwise or debts due from the Company may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit, and in particular by mortgage, charter, lien or any other security upon all or any of the assets or property (both present and future) or the undertaking of the Company including its uncalled capital for the time being, or by a guarantee by any Director, Government or third party, and the bonds, debentures and debenture stocks and other securities may be made assignable, free from equities between the Company and the person to whom the same may be issued and also by a similar mortgage, charge or lien to secure and guarantee, the performance by the Company or any other person or company of any obligation undertaken by the Company or any person or Company as the case may be. | <b>Securing payment or repayment of Moneys borrowed.</b>                             |
| 96.                        | Any bonds, debentures, debenture-stock or their securities issued or to be issued by the Company shall be under the control of the Board who may issue them upon such terms and conditions, and in such manner and for such consideration as they shall consider to be for the benefit of the Company.  | <b>Bonds, Debentures etc. to be under the control of the Directors.</b>              |
| 97.                        | If any uncalled capital of the Company is included in or charged by any mortgage or other security the Directors shall subject to the provisions of the Act and these Articles make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed.   | <b>Mortgage of uncalled Capital.</b>   |
| 98.                        | Subject to the provisions of the Act and these Articles if the Directors or any of them or any other person shall incur or be about to incur any liability whether as principal or surety for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability.  | <b>Indemnity may be given.</b>   |
| <b>MEETINGS OF MEMBERS</b> |   |  |
| 99.                        | All the General Meetings of the Company other than Annual General Meetings shall be called Extra-ordinary General Meetings.   | <b>Distinction between AGM &amp; EGM.</b>  |
| 100.                       | (a) The Directors may, whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of requisition of Members made in compliance with Section 100 of the Act, forthwith proceed to convene Extra-Ordinary General Meeting of the members  | <b>Extra-Ordinary General Meeting by Board and by requisition</b>                    |
|                            | (b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.  | <b>When a Director or any two Members may call an Extra Ordinary General Meeting</b> |

| Sr. No                  | Particulars   |   |
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| 101.                    | No General Meeting, Annual or Extraordinary shall be competent to enter upon, discuss or transfer any business which has not been mentioned in the notice or notices upon which it was convened.  | <b>Meeting not to transact business not mentioned in notice.</b>                          |
| 102.                    | The Chairman (if any) of the Board of Directors shall be entitled to take the chair at every General Meeting, whether Annual or Extraordinary. If there is no such Chairman of the Board of Directors, or if at any meeting he is not present within fifteen minutes of the time appointed for holding such meeting or if he is unable or unwilling to take the chair, then the Vice Chairman of the Company so shall take the chair and preside the meeting. In the absence of the Vice Chairman as well, the Directors present may choose one of the Directors among themselves to preside the meeting.   | <b>Chairman of General Meeting</b>  |
| 103.                    | No business, except the election of a Chairman or Vice Chairman, shall be discussed at any General Meeting whilst the Chair is vacant.  | <b>Business confined to election of Chairman or Vice Chairman whilst chair is vacant.</b> |
| 104.                    | <p>a) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.</p> <p>b) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.</p> <p>c) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.</p> <p>d) Save as aforesaid, and as provided in Section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.</p> | <b>Chairman with consent may adjourn meeting.</b>   |
| 105.                    | In the case of an equality of votes the Chairman shall both on a show of hands, on a poll (if any) and e-voting, have casting vote in addition to the vote or votes to which he may be entitled as a Member.  | <b>Chairman's casting vote.</b>   |
| 106.                    | Any poll duly demanded on the election of Chairman or Vice Chairman of the meeting or any question of adjournment shall be taken at the meeting forthwith.  | <b>In what case poll taken without adjournment.</b>                                       |
| 107.                    | The demand for a poll except on the question of the election of the Chairman or Vice Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.   | <b>Demand for poll not to prevent transaction of other business.</b>                      |
| <b>VOTES OF MEMBERS</b> |   |   |
| 108.                    | No Member shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of a class of shareholders either upon a show of hands, upon a poll or electronically, or be reckoned in a quorum in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised, any right or lien.  | <b>Members in arrears not to vote.</b>  |
| 109.                    | Subject to the provision of these Articles and without prejudice to any special privileges, or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the company, every Member, not disqualified by the last preceding Article shall be entitled to be present, and to speak and to vote at such meeting, and on a show of hands every member present in person shall have one vote  | <b>Number of votes each member entitled.</b>  |

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|        | and upon a poll the voting right of every Member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company, Provided, however, if any preference shareholder is present at any meeting of the Company, save as provided in sub-section (2) of Section 47 of the Act, he shall have a right to vote only on resolution placed before the meeting which directly affect the rights attached to his preference shares.  |   |
| 110.   | On a poll taken at a meeting of the Company a member entitled to more than one vote or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.  | <b>Casting of votes by a member entitled to more than one vote.</b> |
| 111.   | A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, or a minor may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.  | <b>Vote of member of unsound mind and of minor</b>                  |
| 112.   | Notwithstanding anything contained in the provisions of the Companies Act, 2013, and the Rules made there under, the Company may, and in the case of resolutions relating to such business as may be prescribed by such authorities from time to time, declare to be conducted only by postal ballot, shall, get any such business/ resolutions passed by means of postal ballot, instead of transacting the business in the General Meeting of the Company.  | <b>Postal Ballot</b>  |
| 113.   | A member may exercise his vote at a meeting by electronic means in accordance with Section 108 and shall vote only once.  | <b>E-Voting</b>   |
| 114.   | a) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. If more than one of the said persons remain present than the senior shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member in whose name share stands shall for the purpose of these Articles be deemed joints holders thereof.<br>b) For this purpose, seniority shall be determined by the order in which the names stand in the register of members. | <b>Votes of joint members.</b>                                      |
| 115.   | Votes may be given either personally or by attorney or by proxy or in case of a company, by a representative duly Authorised as mentioned in Articles   | <b>Votes may be given by proxy or by representative</b>             |
| 116.   | A body corporate (whether a company within the meaning of the Act or not) may, if it is member or creditor of the Company (including being a holder of debentures) authorise such person by resolution of its Board of Directors, as it thinks fit, in accordance with the provisions of Section 113 of the Act to act as its representative at any Meeting of the members or creditors of the Company or debentures holders of the Company. A person authorised by resolution as aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate as if it were an individual member, creditor or holder of debentures of the Company.      | <b>Representation of a body corporate.</b>                          |
| 117.   | (a) A member paying the whole or a part of the amount remaining unpaid on any share held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of the moneys paid until the  | <b>Members paying money in advance.</b>                             |



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|             | same would, but for this payment, become presently payable.   |  |
|             | (b) A member is not prohibited from exercising his voting rights on the ground that he has not held his shares or interest in the Company for any specified period preceding the date on which the vote was taken.  | <b>Members not prohibited if share not held for any specified period.</b>  |
| <b>118.</b> | Any person entitled under Article 73 (transmission clause) to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnify (if any) as the Directors may require or the directors shall have previously admitted his right to vote at such meeting in respect thereof.  | <b>Votes in respect of shares of deceased or insolvent members.</b>        |
| <b>119.</b> | No Member shall be entitled to vote on a show of hands unless such member is present personally or by attorney or is a body Corporate present by a representative duly Authorised under the provisions of the Act in which case such members, attorney or representative may vote on a show of hands as if he were a Member of the Company. In the case of a Body Corporate the production at the meeting of a copy of such resolution duly signed by a Director or Secretary of such Body Corporate and certified by him as being a true copy of the resolution shall be accepted by the Company as sufficient evidence of the authority of the appointment. | <b>No votes by proxy on show of hands.</b>                                 |
| <b>120.</b> | The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.   | <b>Appointment of a Proxy.</b>   |
| <b>121.</b> | An instrument appointing a proxy shall be in the form as prescribed in the rules made under Section 105 of the Act.   | <b>Form of proxy.</b>  |
| <b>122.</b> | A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the Member, or revocation of the proxy or of any power of attorney which such proxy signed, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting or adjourned meeting at which the proxy is used.   | <b>Validity of votes given by proxy notwithstanding death of a member.</b> |
| <b>123.</b> | No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.  | <b>Time for objections to votes.</b>                                       |
| <b>124.</b> | Any such objection raised to the qualification of any voter in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.  | <b>Chairperson of the Meeting to be the judge of validity of any vote.</b> |
|             | <b>DIRECTORS</b>  |  |
| <b>125.</b> | Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 149 of the Act, the number of Directors (including Debenture and Alternate Directors) shall not be less than three and not more   | <b>Number of Directors</b>   |

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|        | than fifteen. Provided that a company may appoint more than fifteen directors after passing a special resolution  |  |
| 126.   | A Director of the Company shall not be bound to hold any Qualification Shares in the Company.   | <b>Qualification shares.</b>                     |
| 127.   | <p>(a) Subject to the provisions of the Companies Act, 2013 and notwithstanding anything to the contrary contained in these Articles, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement</p> <p>(b) The Nominee Director/s so appointed shall not be required to hold any qualification shares in the Company nor shall be liable to retire by rotation. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s so appointed. The said Nominee Director/s shall be entitled to the same rights and privileges including receiving of notices, copies of the minutes, sitting fees, etc. as any other Director of the Company is entitled.</p> <p>(c) If the Nominee Director/s is an officer of any of the financial institution the sitting fees in relation to such nominee Directors shall accrue to such financial institution and the same accordingly be paid by the Company to them. The Financial Institution shall be entitled to depute observer to attend the meetings of the Board or any other Committee constituted by the Board.</p> <p>(d) The Nominee Director/s shall, notwithstanding anything to the Contrary contained in these Articles, be at liberty to disclose any information obtained by him/them to the Financial Institution appointing him/them as such Director/s.</p> | <b>Nominee Directors.</b>                        |
| 128.   | The Board may appoint an Alternate Director to act for a Director (hereinafter called “ <b>The Original Director</b> ”) during his absence for a period of not less than three months from India, in accordance with provisions of the Act. An Alternate Director appointed under this Article shall not hold office for period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to India. If the term of Office of the Original Director is determined before he so returns to India, any provision in the Act or in these Articles for the automatic re-appointment of retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director. No Person shall be appointed as an Alternate Director to an Independent Director.  | <b>Appointment of alternate Director.</b>        |
| 129.   | Subject to the provisions of the Act, the Board shall have power at any time and from time to time to appoint any other person to be an Additional Director. Any such Additional Director shall hold office only upto the date of the next Annual General Meeting.  | <b>Additional Director</b>                       |
| 130.   | Subject to the provisions of the Act, the Board shall have power at any time and from time to time to appoint a Director, if the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, who shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated by him.  | <b>Directors power to fill casual vacancies.</b> |
| 131.   | Until otherwise determined by the Company in General Meeting, each Director other than the Managing/Whole-time  | <b>Sitting Fees.</b>                             |

| Sr. No                                      | Particulars   |  |
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|   | Director (unless otherwise specifically provided for) shall be entitled to sitting fees not exceeding a sum prescribed in the Act (as may be amended from time to time) for attending meetings of the Board or Committees thereof.  |  |
| 132.  | The Board of Directors may subject to the limitations provided in the Act allow and pay to any Director who attends a meeting at a place other than his usual place of residence for the purpose of attending a meeting, such sum as the Board may consider fair, compensation for travelling, hotel and other incidental expenses properly incurred by him, in addition to his fee for attending such meeting as above specified.  | <b>Travelling expenses Incurred by Director on Company's business.</b>       |
| <b>PROCEEDING OF THE BOARD OF DIRECTORS</b> |   |  |
| 133.  | (a) The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings as it thinks fit.<br>(b) A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.  | <b>Meetings of Directors.</b>  |
| 134.  | a) The Directors may from time to time elect from among their members a Chairperson of the Board as well as a Vice Chairman of the Board and determine the period for which he is to hold office. If at any meeting of the Board, the Chairman is not present within five minutes after the time appointed for holding the same, to the Vice Chairman shall preside at the meeting and in the absence of the Vice Chairman as well, the Directors present may choose one of the Directors among themselves to preside the meeting.<br>b) Subject to Section 203 of the Act and rules made there under, one person can act as the Chairman as well as the Managing Director or Chief Executive Officer at the same time. | <b>Chairman and Vice Chairman</b>  |
| 135.  | Questions arising at any meeting of the Board of Directors shall be decided by a majority of votes and in the case of an equality of votes, the Chairman or the Vice Chairman, as the case may be will have a second or casting vote.   | <b>Questions at Board meeting how decided.</b>                               |
| 136.  | The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.  | <b>Continuing directors may act notwithstanding any vacancy in the Board</b> |
| 137.  | Subject to the provisions of the Act, the Board may delegate any of their powers to a Committee consisting of such member or members of its body as it thinks fit, and it may from time to time revoke and discharge any such committee either wholly or in part and either as to person, or purposes, but every Committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee in conformity with such regulations and in fulfilment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.                              | <b>Directors may appoint committee.</b>                                      |
| 138.  | The Meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article.   | <b>Committee Meetings how to be governed.</b>                                |

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| 139.  | a) A committee may elect a Chairperson of its meetings.<br>b) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.   | <b>Chairperson of Committee Meetings</b>  |
| 140.  | a) A committee may meet and adjourn as it thinks fit.<br>b) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairperson shall have a second or casting vote.   | <b>Meetings of the Committee</b>  |
| 141.  | Subject to the provisions of the Act, all acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director. | <b>Acts of Board or Committee shall be valid notwithstanding defect in appointment.</b> |
| <b>RETIREMENT AND ROTATION OF DIRECTORS</b> |  |   |
| 142.  | Subject to the provisions of Section 161 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid.  | <b>Power to fill casual vacancy</b>   |
| <b>POWERS OF THE BOARD</b>                  |  |   |
| 143.  | The business of the Company shall be managed by the Board who may exercise all such powers of the Company and do all such acts and things as may be necessary, unless otherwise restricted by the Act, or by any other law or by the Memorandum or by the Articles required to be exercised by the Company in General Meeting. However no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.  | <b>Powers of the Board</b>  |
| 144.  | Without prejudice to the general powers conferred by the Articles and so as not in any way to limit or restrict these powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the Articles, it is hereby, declared that the Directors shall have the following powers, that is to say  | <b>Certain powers of the Board</b>  |
|   | (1) Subject to the provisions of the Act, to purchase or otherwise acquire any lands, buildings, machinery, premises, property, effects, assets, rights, creditors, royalties, business and goodwill of any person firm or company carrying on the business which this Company is authorised to carry on, in any part of India.  | <b>To acquire any property , rights etc.</b>  |
|   | (2) Subject to the provisions of the Act to purchase, take on lease for any term or terms of years, or otherwise acquire any land or lands, with or without buildings and out-houses thereon, situate in any part of India, at such conditions as the Directors may think fit, and in any such purchase, lease or acquisition to accept such title as the  | <b>To take on Lease.</b>  |

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|        | Directors may believe, or may be advised to be reasonably satisfy.   |  |
| (3)    | To erect and construct, on the said land or lands, buildings, houses, warehouses and sheds and to alter, extend and improve the same, to let or lease the property of the company, in part or in whole for such rent and subject to such conditions, as may be thought advisable; to sell such portions of the land or buildings of the Company as may not be required for the company; to mortgage the whole or any portion of the property of the company for the purposes of the Company; to sell all or any portion of the machinery or stores belonging to the Company.                     | <b>To erect &amp; construct.</b>               |
| (4)    | At their discretion and subject to the provisions of the Act, the Directors may pay property rights or privileges acquired by, or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures or other securities of the Company, and any such share may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged. | <b>To pay for property.</b>                    |
| (5)    | To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings, machinery, goods, stores, produce and other moveable property of the Company either separately or co-jointly; also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.  | <b>To insure properties of the Company.</b>    |
| (6)    | To open accounts with any Bank or Bankers and to pay money into and draw money from any such account from time to time as the Directors may think fit.   | <b>To open Bank accounts.</b>                  |
| (7)    | To secure the fulfilment of any contracts or engagement entered into by the Company by mortgage or charge on all or any of the property of the Company including its whole or part of its undertaking as a going concern and its uncalled capital for the time being or in such manner as they think fit.  | <b>To secure contracts by way of mortgage.</b> |
| (8)    | To accept from any member, so far as may be permissible by law, a surrender of the shares or any part thereof, on such terms and conditions as shall be agreed upon.   | <b>To accept surrender of shares.</b>          |
| (9)    | To appoint any person to accept and hold in trust, for the Company property belonging to the Company, or in which it is interested or for any other purposes and to execute and to do all such deeds and things as may be required in relation to any such trust, and to provide for the remuneration of such trustee or trustees.   | <b>To appoint trustees for the Company.</b>    |
| (10)   | To institute, conduct, defend, compound or abandon any legal proceeding by or against the Company or its Officer, or otherwise concerning the affairs and also to compound and allow time for payment or satisfaction of any debts, due, and of any claims or demands by or against the Company and to refer any difference to arbitration, either according to Indian or Foreign law and either in India or   | <b>To conduct legal proceedings.</b>           |

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|        | abroad and observe and perform or challenge any award thereon.   |  |
| (11)   | To act on behalf of the Company in all matters relating to bankruptcy insolvency.  | <b>Bankruptcy &amp; Insolvency</b>                   |
| (12)   | To make and give receipts, release and give discharge for moneys payable to the Company and for the claims and demands of the Company.   | <b>To issue receipts &amp; give discharge.</b>       |
| (13)   | Subject to the provisions of the Act, and these Articles to invest and deal with any moneys of the Company not immediately required for the purpose thereof, upon such authority (not being the shares of this Company) or without security and in such manner as they may think fit and from time to time to vary or realise such investments. Save as provided in Section 187 of the Act, all investments shall be made and held in the Company's own name.  | <b>To invest and deal with money of the Company.</b> |
| (14)   | To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or as surety, for the benefit of the Company, such mortgage of the Company's property (present or future) as they think fit, and any such mortgage may contain a power of sale and other powers, provisions, covenants and agreements as shall be agreed upon;  | <b>To give Security by way of indemnity.</b>         |
| (15)   | To determine from time to time persons who shall be entitled to sign on Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose, whether by way of a resolution of the Board or by way of a power of attorney or otherwise.  | <b>To determine signing powers.</b>                  |
| (16)   | To give to any Director, Officer, or other persons employed by the Company, a commission on the profits of any particular business or transaction, or a share in the general profits of the company; and such commission or share of profits shall be treated as part of the working expenses of the Company.  | <b>Commission or share in profits.</b>               |
| (17)   | To give, award or allow any bonus, pension, gratuity or compensation to any employee of the Company, or his widow, children, dependents, that may appear just or proper, whether such employee, his widow, children or dependents have or have not a legal claim on the Company.   | <b>Bonus etc. to employees.</b>                      |
| (18)   | To set aside out of the profits of the Company such sums as they may think proper for depreciation or the depreciation funds or to insurance fund or to an export fund, or to a Reserve Fund, or Sinking Fund or any special fund to meet contingencies or repay debentures or debenture-stock or for equalizing dividends or for repairing, improving, extending and maintaining any of the properties of the Company and for such other purposes (including the purpose referred to in the preceding clause) as the Board may, in the absolute discretion think conducive to the interests of the Company, and subject to Section 179 of the Act, to invest the several sums so set aside or so much thereof as may be required to be invested, upon such investments (other than shares of this Company) as they may think fit and from time to time deal with and vary such investments and dispose of and apply | <b>Transfer to Reserve Funds.</b>                    |

| Sr. No | Particulars   |   |
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|        | <p>and extend all or any part thereof for the benefit of the Company notwithstanding the matters to which the Board apply or upon which the capital moneys of the Company might rightly be applied or expended and divide the reserve fund into such special funds as the Board may think fit; with full powers to transfer the whole or any portion of a reserve fund or division of a reserve fund to another fund and with the full power to employ the assets constituting all or any of the above funds, including the deprecation fund, in the business of the company or in the purchase or repayment of debentures or debenture-stocks and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with the power to the Board at their discretion to pay or allow to the credit of such funds, interest at such rate as the Board may think proper.</p>  |   |
| (19)   | <p>To appoint, and at their discretion remove or suspend such general manager, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisers, research workers, labourers, clerks, agents and servants, for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and to fix their salaries or emoluments or remuneration and to require security in such instances and for such amounts they may think fit and also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit and the provisions contained in the next following clauses shall be without prejudice to the general powers conferred by this clause.</p>   | <p><b>To appoint and remove officers and other employees.</b></p> |
| (20)   | <p>At any time and from time to time by power of attorney under the seal of the Company, if any, to appoint any person or persons to be the Attorney or attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also except in their limits authorised by the Board the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit, and such appointments may (if the Board think fit) be made in favour of the members or any of the members of any local Board established as aforesaid or in favour of any Company, or the shareholders, directors, nominees or manager of any Company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such powers of attorney may contain such powers for the protection or convenience for dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegated Attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.</p> | <p><b>To appoint Attorneys.</b></p>                               |
| (21)   | <p>Subject to Section 188 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company to enter into all such negotiations and</p>  | <p><b>To enter into contracts.</b></p>                            |

| Sr. No | Particulars   |   |
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|        | contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.  |   |
| (22)   | From time to time to make, vary and repeal rules for the regulations of the business of the Company its Officers and employees.   | <b>To make rules.</b>                                   |
| (23)   | To effect, make and enter into on behalf of the Company all transactions, agreements and other contracts within the scope of the business of the Company.   | <b>To effect contracts etc.</b>                         |
| (24)   | To apply for, promote and obtain any act, charter, privilege, concession, license, authorization, if any, Government, State or municipality, provisional order or license of any authority for enabling the Company to carry any of this objects into effect, or for extending and any of the powers of the Company or for effecting any modification of the Company's constitution, or for any other purpose, which may seem expedient and to oppose any proceedings or applications which may seem calculated, directly or indirectly to prejudice the Company's interests.   | <b>To apply &amp; obtain concessions licenses etc.</b>  |
| (25)   | To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Section 40 of the Act and of the provisions contained in these presents.  | <b>To pay commissions or interest.</b>                  |
| (26)   | To redeem preference shares.  | <b>To redeem preference shares.</b>                     |
| (27)   | To subscribe, incur expenditure or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or any other institutions or subjects which shall have any moral or other claim to support or aid by the Company, either by reason of locality or operation or of public and general utility or otherwise.  | <b>To assist charitable or benevolent institutions.</b> |
| (28)   | To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.  |   |
| (29)   | To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Section 40 of the Act.  |   |
| (30)   | To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 181 of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of the public and general utility or otherwise. |   |



| Sr. No | Particulars  |   |
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|        | <p>(31) To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.</p> <p>(32) To sell from time to time any Articles, materials, machinery, plants, stores and other Articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.</p> <p>(33) From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.</p> <p>(34) To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.</p> <p>(35) To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.</p> <p>(36) To let, sell or otherwise dispose of subject to the provisions of Section 180 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.</p> <p>(37) Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.</p> <p>(38) To comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with.</p> |   |
|        | <b>MANAGING AND WHOLE-TIME DIRECTORS</b>   |   |
| 145.   | <p>a) Subject to the provisions of the Act and of these Articles, the Directors may from time to time in Board Meetings appoint one or more of their body to be a Managing Director or Managing Directors or whole-time Director or whole-time Directors of the Company for such term not exceeding five years at a time as they may think fit to manage the affairs and business of the Company, and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.</p> <p>b) The Managing Director or Managing Directors or whole-time Director or whole-time Directors so appointed may also be appointed as Directors who are liable to retire by rotation, in accordance with provisions of the Act. A</p>  | <b>Powers to appoint Managing/ Wholetime Directors.</b> |

| Sr. No | Particulars  |  |
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|        | <p>Managing Director or Whole-time Director who is appointed as Director immediately on the retirement by rotation shall continue to hold his office as Managing Director or Whole-time Director and such re-appointment as such Director shall not be deemed to constitute a break in his appointment as Managing Director or Whole-time Director.</p>  |  |
| 146.   | <p>The remuneration of a Managing Director or a Whole-time Director (subject to the provisions of the Act and of these Articles and of any contract between him and the Company) shall from time to time be fixed by the Directors, and may be, by way of fixed salary, or commission on profits of the Company, or by participation in any such profits, or by any, or all of these modes.</p>  | <p><b>Remuneration of Managing or Wholetime Director.</b></p>                |
| 147.   | <p>(1) Subject to control, direction and supervision of the Board of Directors, the day-to-day management of the company will be in the hands of the Managing Director or Whole-time Director appointed in accordance with regulations of these Articles of Association with powers to the Directors to distribute such day-to-day management functions among such Directors and in any manner as may be directed by the Board.</p> <p>(2) The Directors may from time to time entrust to and confer upon the Managing Director or Whole-time Director for the time being save as prohibited in the Act, such of the powers exercisable under these presents by the Directors as they may think fit, and may confer such objects and purposes, and upon such terms and conditions, and with such restrictions as they think expedient; and they may subject to the provisions of the Act and these Articles confer such powers, either collaterally with or to the exclusion of, and in substitution for, all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any such powers.</p> <p>(3) The Company's General Meeting may also from time to time appoint any Managing Director or Managing Directors or Wholetime Director or Wholetime Directors of the Company and may exercise all the powers referred to in these Articles.</p> <p>(4) The Managing Director shall be entitled to sub-delegate (with the sanction of the Directors where necessary) all or any of the powers, authorities and discretions for the time being vested in him in particular from time to time by the appointment of any attorney or attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit.</p> <p>(5) Notwithstanding anything contained in these Articles, the Managing Director is expressly allowed generally to work for and contract with the Company and especially to do the work of Managing Director and also to do any work for the Company upon such terms and conditions and for such remuneration (subject to the provisions of the Act) as may from time to time be agreed between him and the Directors of the Company.</p> | <p><b>Powers and duties of Managing Director or Whole-time Director.</b></p> |
|        | <p><b>Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer</b></p>   |  |

| Sr. No                       | Particulars  |  |
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| 148.                         | <p>a) Subject to the provisions of the Act,—</p> <p>i. A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board;</p> <p>ii. A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.</p> <p>b) A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.</p> | <b>Board to appoint Chief Executive Officer/ Manager/ Company Secretary/ Chief Financial Officer</b> |
| <b>THE SEAL</b>              |  |  |
| 149.                         | <p>(a) The Board shall provide a Common Seal, if any for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being, and the Seal, if any shall never be used except by the authority of the Board or a Committee of the Board previously given.</p> <p>(b) The Company shall also be at liberty to have an Official Seal in accordance with of the Act, for use in any territory, district or place outside India.</p> <p>(c) Its Optional to have a common seal of the company.</p>  | <b>The seal, its custody and use.</b>  |
| 150.                         | The seal of the company, if any, shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorized by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.  | <b>Deeds how executed.</b>   |
| <b>Dividend and Reserves</b> |  |  |
| 151.                         | <p>(1) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares.</p> <p>(2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.</p> <p>(3) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.</p> | <b>Division of profits.</b>  |
| 152.                         | The Company in General Meeting may declare dividends, to be paid to members according to their respective rights and interests in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 127 of the  | <b>The company in General Meeting may declare Dividends.</b>   |

| Sr. No | Particulars   |   |
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|        | Act, but no dividends shall exceed the amount recommended by the Board of Directors, but the Company may declare a smaller dividend in general meeting.   |   |
| 153.   | <p>a) The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provision for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, think fit.</p> <p>b) The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.</p> | <b>Transfer to reserves</b>   |
| 154.   | Subject to the provisions of Section 123, the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.  | <b>Interim Dividend.</b>  |
| 155.   | The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.  | <b>Debts may be deducted.</b>   |
| 156.   | No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this articles as paid on the share.  | <b>Capital paid up in advance not to earn dividend.</b>   |
| 157.   | All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.  | <b>Dividends in proportion to amount paid-up.</b>   |
| 158.   | The Board of Directors may retain the dividend payable upon shares in respect of which any person under Articles has become entitled to be a member, or any person under that Article is entitled to transfer, until such person becomes a member, in respect of such shares or shall duly transfer the same.   | <b>Retention of dividends until completion of transfer under Articles .</b>   |
| 159.   | No member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however, either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend payable to any member all such sums of money so due from him to the Company.  | <b>No Member to receive dividend whilst indebted to the company and the Company's right of reimbursement thereof.</b> |
| 160.   | A transfer of shares does not pass the right to any dividend declared thereon before the registration of the transfer.  | <b>Effect of transfer of shares.</b>  |
| 161.   | Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such share.   | <b>Dividend to joint holders.</b>   |
| 162.   | a) Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.  | <b>Dividends how remitted.</b>  |

| Sr. No                | Particulars  |                                  |
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|                       | b) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.   |                                  |
| 163.                  | Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.   | <b>Notice of dividend.</b>       |
| 164.                  | Where the Company has declared a dividend which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend the Company shall within such period as prescribed under applicable law, open a special account in that behalf in any scheduled bank called "Unpaid dividend Account" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the fund known as the Investor Education and Protection Fund established under Section 125 of the Act. A claim to any money so transferred to the Investor Education and Protection Fund may be preferred to the Central Government by the shareholders to whom the money is due. No unclaimed dividend shall be forfeited before the claim becomes barred by law and no unpaid dividend shall bear interest as against the Company.   | <b>No interest on Dividends.</b> |
| <b>CAPITALIZATION</b> |  |                                  |
| 165.                  | (1) The Company in General Meeting may, upon the recommendation of the Board, resolve:<br>(a) that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the Profit and Loss account, or otherwise available for distribution; and<br>(b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.<br>(2) The sums aforesaid shall not be paid in cash but shall be applied subject to the provisions contained in clause (3) either in or towards:<br>(i) paying up any amounts for the time being unpaid on any shares held by such members respectively;<br>(ii) paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or<br>(iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).<br>(3) A Securities Premium Account and Capital Redemption Reserve Account may, for the purposes of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company and fully paid bonus shares.<br>(4) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation. | <b>Capitalization.</b>           |
| 166.                  | (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall —<br>(a) make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares, if any, and  | <b>Fractional Certificates.</b>  |

| Sr. No                                  | Particulars  |  |
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|   | <p>(b) generally to do all acts and things required to give effect thereto.</p> <p>(2) The Board shall have full power -</p> <p>(a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in case of shares becoming distributable in fractions; and also</p> <p>(b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalization, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions, of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares.</p> <p>(3) Any agreement made under such authority shall be effective and binding on all such members.</p> <p>(4) That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any questions or difficulties that may arise in regard to any issue including distribution of new equity shares and fractional certificates as they think fit.</p> |  |
| 167.                                    | <p>(1) The books containing the minutes of the proceedings of any General Meetings of the Company shall be open to inspection of members without charge on such days and during such business hours as may consistently with the provisions of Section 119 of the Act be determined by the Company in General Meeting and the members will also be entitled to be furnished with copies thereof on payment of regulated charges.</p> <p>(2) Any member of the Company shall be entitled to be furnished within seven days after he has made a request in that behalf to the Company with a copy of any minutes referred to in sub-clause (1) hereof on payment of Rs. 10 per page or any part thereof.</p>   | <b>Inspection of Minutes Books of General Meetings.</b>          |
| 168.                                    | <p>a) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.</p> <p>b) No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the company in general meeting.</p>  | <b>Inspection of Accounts</b>                                    |
| <b>FOREIGN REGISTER</b>                 |  |  |
| 169.                                    | The Company may exercise the powers conferred on it by the provisions of the Act with regard to the keeping of Foreign Register of its Members or Debenture holders, and the Board may, subject to the provisions of the Act, make and vary such regulations as it may think fit in regard to the keeping of any such Registers.   | <b>Foreign Register.</b>   |
| <b>DOCUMENTS AND SERVICE OF NOTICES</b> |  |  |
| 170.                                    | Any document or notice to be served or given by the Company be signed by a Director or such person duly authorised by the  | <b>Signing of documents &amp; notices to be served or given.</b> |

| Sr. No | Particulars   |   |
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|        | Board for such purpose and the signature may be written or printed or lithographed.   |   |
| 171.   | Save as otherwise expressly provided in the Act, a document or proceeding requiring authentication by the company may be signed by a Director, the Manager, or Secretary or other Authorised Officer of the Company and need not be under the Common Seal of the Company.   | <b>Authentication of documents and proceedings.</b> |
|        | <b>WINDING UP</b>   |   |
| 172.   | <p>Subject to the provisions of Chapter XX of the Act and rules made thereunder—</p> <p>(i) If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.</p> <p>(ii) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.</p> <p>(iii) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.</p>  |   |
|        | <b>INDEMNITY</b>  |   |
| 173.   | Subject to provisions of the Act, every Director, or Officer or Servant of the Company or any person (whether an Officer of the Company or not) employed by the Company as Auditor, shall be indemnified by the Company against and it shall be the duty of the Directors to pay, out of the funds of the Company, all costs, charges, losses and damages which any such person may incur or become liable to, by reason of any contract entered into or act or thing done, concurred in or omitted to be done by him in any way in or about the execution or discharge of his duties or supposed duties (except such if any as he shall incur or sustain through or by his own wrongful act neglect or default) including expenses, and in particular and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such Director, Officer or Auditor or other officer of the Company in defending any proceedings whether civil or criminal in which judgment is given in his favor, or in which he is acquitted or in connection with any application under Section 463 of the Act on which relief is granted to him by the Court. | <b>Directors' and others right to indemnity.</b>    |
| 174.   | Subject to the provisions of the Act, no Director, Managing Director or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Directors or Officer, or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, company or corporation, with whom any moneys, securities or effects shall be entrusted or deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss or damage or misfortune   | <b>Not responsible for acts of others</b>           |

| <b>Sr. No</b> | <b>Particulars</b>   |  |
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|               | whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonesty.   |  |
|               | <b>SECURITY</b>  |  |
| <b>175.</b>   | (a) Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in the business of the company shall, if so required by the Directors, before entering upon his duties, sign a declaration pleading himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matter which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by any meeting or by a Court of Law and except so far as may be necessary in order to comply with any of the provisions in these presents contained. | <b>Secrecy</b>                             |
|               | (b) No member or other person (other than a Director) shall be entitled to enter the property of the Company or to inspect or examine the Company's premises or properties or the books of accounts of the Company without the permission of the Board of Directors of the Company for the time being or to require discovery of or any information in respect of any detail of the Company's trading or any matter which is or may be in the nature of trade secret, mystery of trade or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Board it will be inexpedient in the interest of the Company to disclose or to communicate.   | <b>Access to property information etc.</b> |

We, the several persons whose names and addresses and description are hereunder subscribed are desirous of being formed into a Company, in pursuance of this Articles of Association:

| <b>Sl. No.</b> | <b>Names, address, Description and occupation of subscribers</b>  | <b>Signature of subscribers</b> | <b>Signature, Name, addresses, Description and Occupation of witness</b>   |
|----------------|---|---------------------------------|--|
| 1.             | Dinesh Poonamchand Shah<br>S/o. Poonamchand Chandulal Shah<br>4/18, Kailas Nagar, 658, Tardeo Road, Opp. Bhatia Hospital, Mumbai-400007, Maharashtra, India<br><br>Occupation: Business | Sd/-                            | I witness the signature of the subscribers<br><br>Sd/-<br>Subramanian Ramaswamy,<br>S/o, Ananthakrishnan Ramaswamy<br>No. 702, Aphrodite Raheja Acropolis-2, |



|    |   |      |  |
|----|---|------|--|
| 2. | Jyotivadan Occhavlal Sheth<br>S/o. Occhavlal Nathji bhai Sheth<br>No.10, Krishna Kunj, 3rd floor, 29-30,<br>K. M. Munshi Marg, Mumbai-<br>400007, Maharashtra, India.<br><br>Occupation: Business | Sd/- |  |
|    | <b>TOTAL</b>  |      |  |

Date: 7 December 2011

Place: Mumbai

## SECTION IX - OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts which are, or may be deemed material, have been entered or to be entered into by our Company. These contracts, copies of which will be attached to the copy of this Red Herring Prospectus filed with the Registrar of Companies, and also the documents for inspection referred to hereunder may be inspected at the Registered and Corporate Office, from 10.00 a.m. to 5.00 p.m. on Working Days and will also be available at the website of our Company accessed at <https://dcxindia.com/investors/material-contracts-and-documents-for-inspection/> from the date of this Red Herring Prospectus until the Bid/Offer Closing Date (except for such agreements executed after the Bid/Offer Closing Date).

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance with the provisions contained in the Companies Act and other relevant statutes.

#### Material contracts to the Offer

1. Offer Agreement dated April 4, 2022, and amendment agreement dated September 21, 2022, entered into among our Company, the Promoter Selling Shareholders and the Book Running Lead Managers.
2. Registrar Agreement dated April 4, 2022, entered into among our Company, the Promoter Selling Shareholders and the Registrar to the Offer.
3. Monitoring Agency Agreement dated September 29, 2022, entered into between our Company and the Monitoring Agency.
4. Cash Escrow and Sponsor Bank Agreement dated October 19, 2022, entered into among our Company, the Promoter Selling Shareholders, the Book Running Lead Managers, the Syndicate Member, the Bankers to the Offer, and the Registrar to the Offer.
5. Share Escrow Agreement dated October 19, 2022, entered into among our Company, the Promoter Selling Shareholders, and the Share Escrow Agent.
6. Syndicate Agreement dated October 19, 2022, entered into among our Company, the Promoter Selling Shareholders, the Book Running Lead Managers and the Syndicate Member.
7. Underwriting Agreement dated [•], entered into among our Company, the Promoter Selling Shareholders, the Book Running Lead Managers, Registrar to the Offer and the Syndicate Member.

#### Material documents

1. Certified copies of the Memorandum of Association and the Articles of Association, as amended until date.
2. Certificate of incorporation dated December 16, 2011, issued to our Company under the name “DCX Cable Assemblies Private Limited” issued by the RoC.
3. Fresh certificate of incorporation dated January 3, 2022, issued by the RoC pursuant to a change in name from “DCX Cable Assemblies Private Limited” to “DCX Systems Private Limited”.
4. Certificate of incorporation dated February 18, 2022, issued by the RoC pursuant to conversion of our Company to a public limited company.
5. Copies of the annual reports of our Company for Fiscals ended March 31, 2022, March 31, 2021, and March 31, 2020, respectively.
6. Resolutions dated March 21, 2022, passed by our Board authorising the Offer and other related matters.
7. Resolution dated March 21, 2022, passed by our Shareholders authorising the Fresh Issue and other related matters.

8. Resolutions dated March 30, 2022, passed by our IPO Committee, authorising the Offer and other related matters.
9. Resolutions dated September 21, 2022, October 8, 2022 and October 13, 2022, passed by our IPO Committee for change in Fresh Issue size aggregating up to ₹ 4,000.00 million.
10. Resolutions dated September 21, 2022, and October 8, 2022, passed by our IPO Committee for taking on record the approval for the Offer for Sale by the Promoter Selling Shareholders.
11. Consent letters and authorisations from the Promoter Selling Shareholders, authorising their participation in the Offer. For further details, see “*The Offer*” on page 68.
12. Share purchase agreement dated June 14, 2021 entered into by and amongst our Company, NCBG Holdings Inc. and Dinesh Shah.
13. Share purchase agreement dated June 17, 2021 entered into by and amongst our Company, Raneal Technologies Private Limited, Narendra Narayanan and VNG Technology Private Limited.
14. Share purchase agreement dated June 17, 2021 entered into by and amongst our Company, RTPL, VNG and Vijaybhai Somabhai Patel, Raghavendra Dibbur Narasinga Rao, MV Shubha, D.N. Srinivas and MM Jhansi.
15. Resolution dated March 30, 2022, passed by our Board, approving the Draft Red Herring Prospectus.
16. Resolution dated April 4, 2022, passed by the IPO Committee, approving the Draft Red Herring Prospectus.
17. Resolution dated October 19, 2022, passed by our IPO Committee approving this Red Herring Prospectus.
18. Report titled “*The Evolving Defence Technology Industry Base and Opportunities in the Defence Electronics Segment*” dated September 19, 2022 (“**Company Commissioned F&S Report**”), issued by Frost & Sullivan (India) Private Limited, commissioned and paid for by our Company, pursuant to letter agreement dated January 7, 2022 entered into with our Company, and consent letter dated September 19, 2022, issued by Frost & Sullivan (India) Private Limited in relation to the Company Commissioned F&S Report.
19. Techno economic viability report dated March 23, 2022 prepared by RBSA Valuation Advisors LLP and addendum to the techno economic viability report dated September 20, 2022.
20. Statement of special tax benefits dated September 20, 2022, from the Statutory Auditors included in this Red Herring Prospectus.
21. The examination report dated September 16, 2022, of the Statutory Auditors, M/s NBS & Co., Chartered Accountants, on the Restated Financial Information.
22. Consent of our Statutory Auditors, M/s NBS & Co., Chartered Accountants dated September 20, 2022 for inclusion of their name as experts, and in respect of their (i) examination report dated September 16, 2022 on our Restated Financial Information; and (ii) report dated September 20, 2022 on statement of special tax benefits.
23. Consents of the Book Running Lead Managers, the Registrar to the Offer, the bankers to our Company, the legal counsel to the Company as to Indian Law, the legal counsel to the Book Running Lead Managers as to Indian Law, the legal counsel to the Book Running Lead Managers as to International Law, the Directors, the Company Secretary and Compliance Officer, the Chief Financial Officer, and the Bankers(s) to the Offer, to act in their respective capacities.
24. Employment agreement dated January 1, 2022, containing the terms of appointment of our Chairman and Managing Director, Dr. H.S. Raghavendra Rao, further revised vide board and shareholders’ resolution dated March 21, 2022.

25. Employment agreement dated January 29, 2022 containing the terms of appointment of our Whole-time Director, Sankarakrishnan Ramalingam, further revised vide board and shareholders' resolution dated March 21, 2022.
26. Tripartite agreement dated February 8, 2022 among our Company, NSDL and the Registrar to the Offer.
27. Tripartite agreement dated February 4, 2022, among our Company, CDSL and the Registrar to the Offer.
28. Due diligence certificate to SEBI from the Book Running Lead Managers dated April 4, 2022.
29. In-principle listing approvals each dated May 23, 2022, from BSE and NSE, respectively.
30. Final observations letter SEBI/SRO/SG/JP/OW/P/2022/27490/1 dated July 5, 2022, issued by SEBI.

## **DECLARATION**

I hereby declare that all relevant provisions of the Companies Act, 2013 and the regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with, and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, and the Securities and Exchange Board of India Act, 1992, each as amended, or the rules made, or regulations or guidelines issued thereunder, as the case may be. I further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

### **SIGNED BY THE DIRECTOR OF OUR COMPANY**

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**Dr. H.S. Raghavendra Rao**  
Chairman and Managing Director  
**DIN** 00379249  
**Date:** October 19, 2022  
**Place:** Bengaluru

## DECLARATION

I hereby declare that all relevant provisions of the Companies Act, 2013 and the regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with, and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, and the Securities and Exchange Board of India Act, 1992, each as amended, or the rules made, or regulations or guidelines issued thereunder, as the case may be. I further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

### SIGNED BY THE DIRECTOR OF OUR COMPANY

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**Neal Jeremy Castleman**

Non-Executive Director

**DIN** 05159412

**Date:** October 19, 2022

**Place:** California

## **DECLARATION**

I hereby declare that all relevant provisions of the Companies Act, 2013 and the regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with, and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, and the Securities and Exchange Board of India Act, 1992, each as amended, or the rules made, or regulations or guidelines issued thereunder, as the case may be. I further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

### **SIGNED BY THE DIRECTOR OF OUR COMPANY**

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**Sankarakrishnan Ramalingam**

Whole-time Director

**DIN** 00078459

**Date:** October 19, 2022

**Place:** Bengaluru

## **DECLARATION**

I hereby declare that all relevant provisions of the Companies Act, 2013 and the regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with, and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, and the Securities and Exchange Board of India Act, 1992, each as amended, or the rules made, or regulations or guidelines issued thereunder, as the case may be. I further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

### **SIGNED BY THE DIRECTOR OF OUR COMPANY**

\_\_\_\_\_  
**Kalyanasundaram Chandrasekaran**

Independent Director

**DIN:** 00936289

**Date:** October 19, 2022

**Place:** Bengaluru



## DECLARATION

I hereby declare that all relevant provisions of the Companies Act, 2013 and the regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with, and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, and the Securities and Exchange Board of India Act, 1992, each as amended, or the rules made, or regulations or guidelines issued thereunder, as the case may be. I further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

**SIGNED BY THE DIRECTOR OF OUR COMPANY**

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**Panchangam Nagashayana**

Independent Director

**DIN:** 00907296

**Date:** October 19, 2022

**Place:** Bengaluru

## **DECLARATION**

I hereby declare that all relevant provisions of the Companies Act, 2013 and the regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with, and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, and the Securities and Exchange Board of India Act, 1992, each as amended, or the rules made, or regulations or guidelines issued thereunder, as the case may be. I further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

### **SIGNED BY THE DIRECTOR OF OUR COMPANY**

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**Lathika Siddharth Pai**

Independent Director

**DIN:** 00420102

**Date:** October 19, 2022

**Place:** Bengaluru

## **DECLARATION**

I hereby declare that all relevant provisions of the Companies Act, 2013 and the regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with, and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, and the Securities and Exchange Board of India Act, 1992, each as amended, or the rules made, or regulations or guidelines issued thereunder, as the case may be. I further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

**SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR COMPANY**

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**Ranga KS**

(Chief Financial Officer)

Place: October 19, 2022

Date: Mumbai

**DECLARATION BY NCBG HOLDINGS INC. AS THE PROMOTER SELLING SHAREHOLDER**

NCBG Holdings Inc. confirms that all statements, disclosures and undertakings made or confirmed by it in this Red Herring Prospectus, solely or specifically in relation to itself and the Equity Shares which are being offered by it by way of the Offer for Sale pursuant to the Offer, are true and correct. NCBG Holdings Inc. assumes no responsibility for any other statements, disclosures and undertakings including statements made or confirmed by or relating to the Company, any other Promoter Selling Shareholder or any other person(s) in this Red Herring Prospectus.

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For NCBG Holdings Inc.

Authorised Signatory

**Date:** October 19, 2022

**Place:** California

**DECLARATION BY VNG TECHNOLOGY PRIVATE LIMITED, AS THE PROMOTER SELLING  
SHAREHOLDER**

VNG Technology Private Limited, confirms that all statements, disclosures and undertakings made or confirmed by it in this Red Herring Prospectus, solely or specifically in relation to itself and the Equity Shares which are being offered by it by way of the Offer for Sale pursuant to the Offer, are true and correct. VNG Technology Private Limited assumes no responsibility for any other statements, disclosures and undertakings including statements made or confirmed by or relating to the Company, any other Promoter Selling Shareholder or any other person(s) in this Red Herring Prospectus.

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For VNG Technology Private Limited

Authorised Signatory

**Date:** October 19, 2022

**Place:** Bengaluru