

## 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 play 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 go 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 (₹ 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	333.14	7.42%	195.84	3.05%	298.14	2.70%	42.87	3.49%	69.16	3.24%

Assemblies **										
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*



the floor.

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

#### *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	

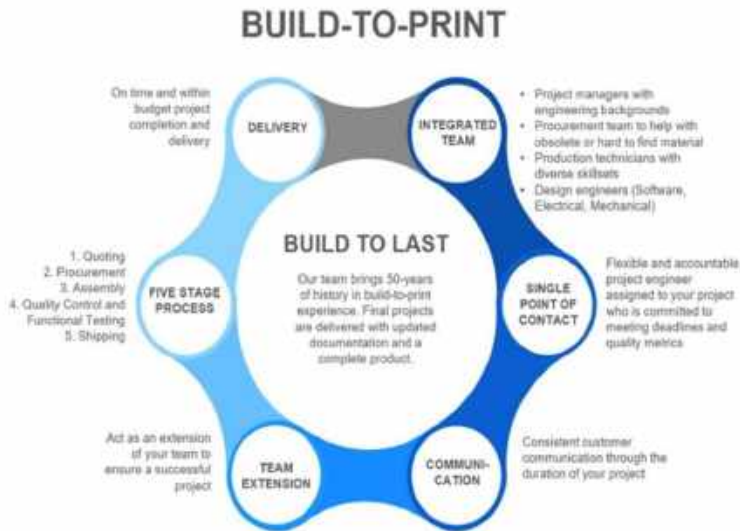
Our factory contains two units of production and one unit covering 25,000 square feet in area, and the other unit covering 5,000 square feet in area.



*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.

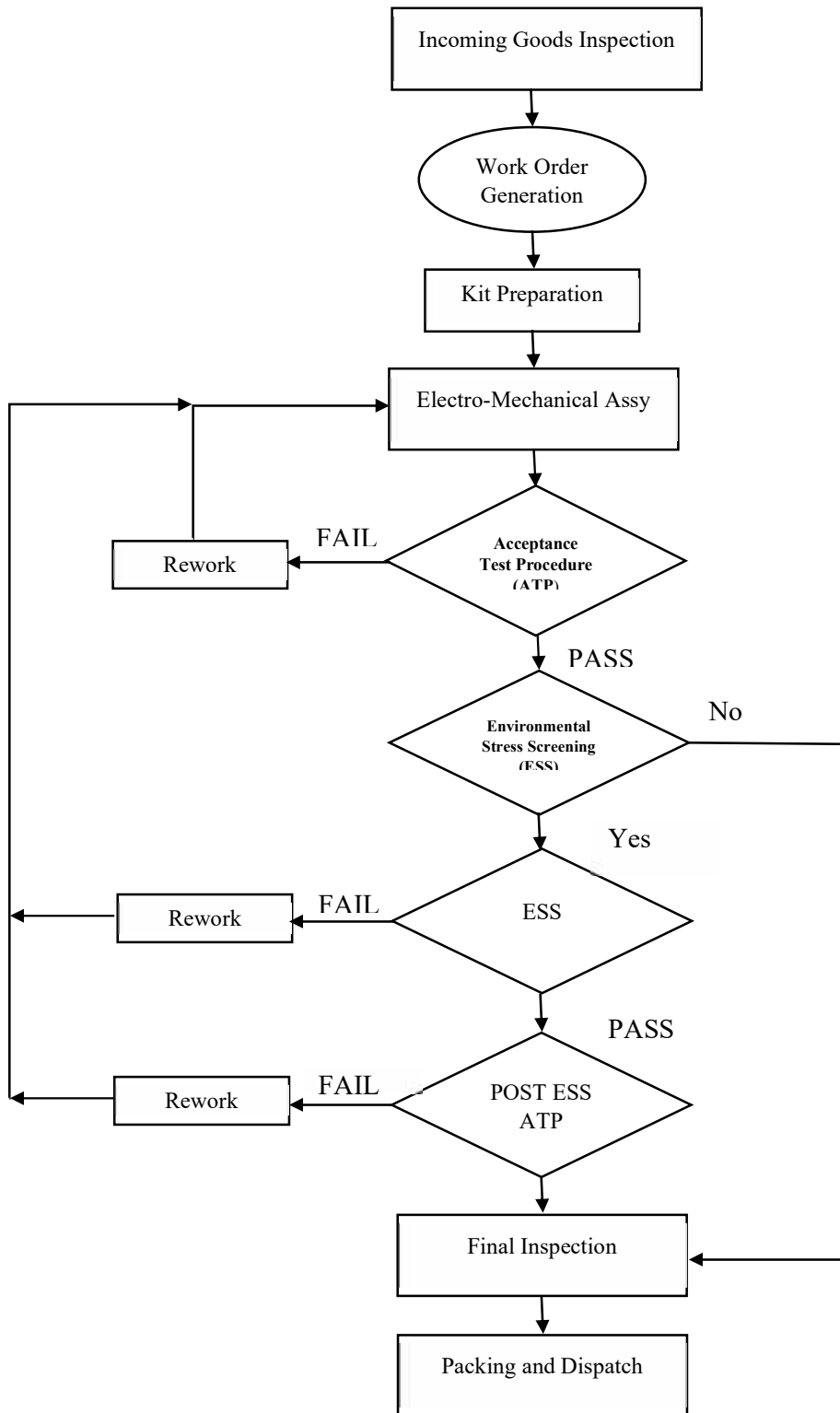
RASPL has also placed orders with the vendors for certain equipment, and is in discussions with the vendors for certain additional equipment for the Additional Facility that are required for its operations.

#### ***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.

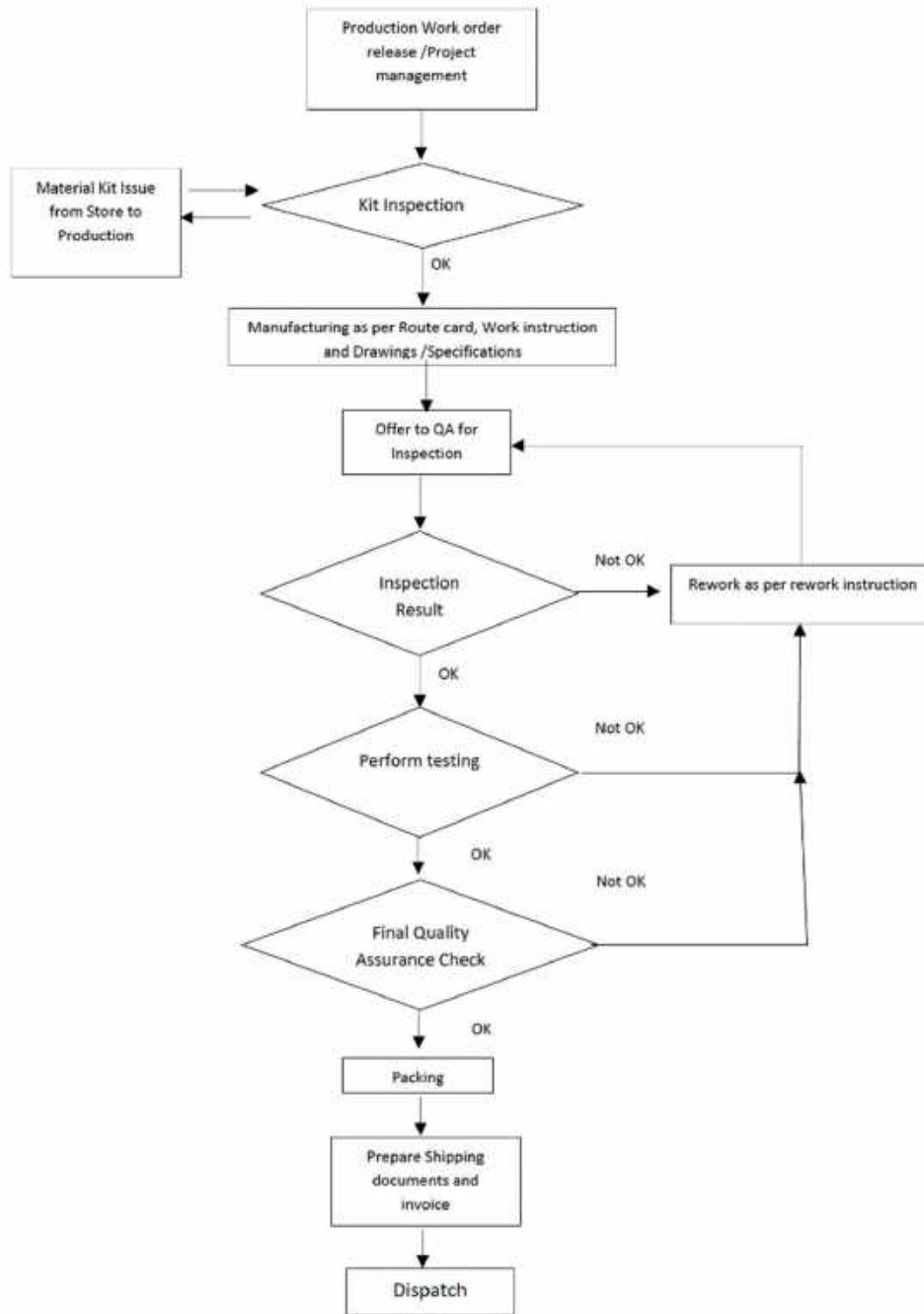
Testing of Unit Under Test (“UUT”) includes software loading, acceptance test procedures (“ATP”) and reliability test of the UUT based on the specification and requirement specified by the customer. UUT integrated and tested pass will be subjected to environmental stress testing to check the reliability 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 FG TN. Once the FG TN 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 (₹ million)	Percentage of Total Order Book (%)	Amount (₹ million)	Percentage of Total Order Book (%)	Amount (₹ million)	Percentage of Total Order Book (%)	Amount (₹ million)	Percentage of Total Order Book (%)	Amount (₹ million)	Percentage of Total Order 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.

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 (₹ million)	Percent age of Total Order Book (%)	Amount (₹ million)	Percent age of Total Order Book (%)	Amount (₹ million)	Percent age of Total Order Book (%)	Amount (₹ million)	Percent age of Total Order Book (%)	Amount (₹ million)	Percent age of Total Order 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 Material	Fiscal						Three months ended June 30,			
	2020		2021		2022		2021		2022	
	(Standalone)				(Consolidated)		(Standalone)		(Consolidated)	
	Total Purchase Amount (₹ million)	Percent age of Total Purchase Amount (%)	Total Purchase Amount (₹ million)	Percent age of Total Purchase Amount (%)	Total Purchase Amount (₹ million)	Percent age of Total Purchase Amount (%)	Total Purchase Amount (₹ million)	Percent age of Total Purchase Amount (%)	Total Purchase Amount (₹ million)	Percent age 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%
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 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 (Standalone)		2021 (Standalone)		2022 (Consolidated)		2021 (Standalone)		2022 (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 (%)
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 (Standalone)		2021 (Standalone)		2022 (Consolidated)		2021 (Standalone)		2022 (Consolidated)	
	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ 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 (Standalone)		2021 (Standalone)		2022 (Consolidated)		2021 (Standalone)		2022 (Consolidated)	
	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)	Revenue from Sale of Products (₹ million)	Percentage of Total Revenue from Sale of Products (%)

	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)
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 (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)	Amount (₹ million)	Percentage of Revenue from Sale of Products and Services (%)
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 (₹ million)	Percentage of Total Export Revenues (%)	Amount (₹ million)	Percentage of Total Export Revenues (%)	Amount (₹ million)	Percentage of Total Export Revenues (%)	Amount (₹ million)	Percentage of Total Export Revenues (%)	Amount (₹ million)	Percentage of Total Export Revenues (%)
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.