

...continued from previous page.

8. Conflict of interest and historical incidence of litigation amongst the Promoter Group

Historically, in one instance, a dispute has arisen wherein one of the promoter group had made investment in and undertaken commencement of compounding facility in their factory and placing of orders for cable extruders as well and alleged usage of the technical know-how developed by our Company. Thereafter, post various hearing in the NCLT, the Promoter Group have amicably arrived at a mutual settlement. Further, on October 21, 2024, the Promoter and Promoter Group shareholders of the Company have entered into a Non Compete Agreement with our Company to protect our Company's confidential information, trade secrets, customer base, customer relationships, and goodwill by restricting the Promoter Group from competing with the business of our Company until they hold equity shares and / or any other securities in our Company.

9. Bidding related risk

Substantial portion of our business is dependent on tenders which are awarded through competitive bidding process by government authorities or public sector undertakings. We may not be able to qualify for, compete and win future tenders which could adversely affect our business and returns of operations. Details of bid submitted and awarded during six months period ended September 30, 2024 and in the Fiscal 2024, 2023 and 2022:

(₹ in millions)

Financial Year	For period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	No. of Bids/ Tenders	Value of Tenders	No. of Bids/ Tenders	Value of Tenders	No. of Bids/ Tenders	Value of Tenders	No. of Bids/ Tenders	Value of Tenders
Bids / Tenders applied	530	10,628.89	819.00	7,716.45	837	10,274.27	718	11,505.32
Bids / Tenders awarded	106	591.59	196.00	559.57	166	1,002.85	155	1,478.92
Bid/ Tenders success ratio	20.00%	5.57%	23.93%	7.25%	19.83%	9.76%	21.59%	12.85%

10. Working capital intensive business

A significant amount of working capital is required to finance the inventory, furnishing of bank guarantees or deduction of retention money from amount receivable may increase if we undertake larger or additional projects. We may experience insufficient cash flow to meet our working capital which may adversely affect our results of operations. The company working capital requirement and net working capital turnover ratio are as under:

Particulars	Six months ended September 30, 2024	Fiscal		
		2024	2023	2022
Net working capital (₹ in million)*	531.34	424.29	320.70	428.87
Net working capital turnover ratio *	1.23 #	3.58	4.77	2.43

* based on Restated Financial Information and excludes cash and cash equivalents and current borrowings

not annualised

11. Negative Cash flow risk

We have reported negative cash flow from operations during the six months period ended September 30, 2024 for an amount of ₹ (95.77) million and during the Fiscal 2022 for ₹ (45.92) million as against positive cash flow from operations of ₹ 184.86 million, ₹ 298.92 million during the Fiscal 2024 and 2023. Such negative cash flow from operating activities were mainly attributed to the investment by the Company in creation of intangible asset towards Train Collision Avoidance System and its related inventory and operational expenses.

12. Capacity utilization risk

Average capacity utilization for six months period ended September 30, 2024 and Fiscal 2024, 2023 and 2022 for the specialty cable division was 25.03% (not annualised), 49.42%, 54.26% and 57.62% respectively and for Train control and signalling division was Nil, as the Company has received its first order on December 12, 2024. Under utilization of our manufacturing capacities and an inability to effectively utilize our manufacturing capacities could have an adverse effect on our business, future prospects and future financial performance.

13. Dependence on management, engineering, design and development team

Our success and growth depend upon consistent and continued performance of our employees with direction and leadership from senior management and the key personnels employed at Embedded Design centre. Failure to attract and retain talented employees, or high attrition levels may adversely impact our business, results of operations and financial condition. The attrition during six months period ended September 30, 2024 was 22.70% (not annualised) and for Fiscal ended 2024, 2023 and 2022 was 47.64%, 17.03% and 13.29%, respectively.

14. Qualified opinion in Audit report for Fiscal 2022

The predecessor auditor while conducting audit for the Fiscal 2022 have observed a difference of ₹ 5.48 million in opening balance of current year books of accounts and prior period audited financial statements and the same remained unreconciled at his end for which an audit qualification was included. The present Statutory Auditors have identified the said difference and given requisite treatment of the same while preparing the restated financial statements and the said amount stands reconciled.

15. Other risks

The BRLM associated with the issue (Sundae Capital Advisors Private Limited) has handled one public issue (1 SME issue) in the past 3 financial years out of which NIL issues closed below the issue price on listing date. The Promoters have not acquired any Equity Shares in the preceding three years except by way of allotment of bonus equity shares by the Company and on inter-se transfer amongst the Promoter Group by way of gift.

Except for issue and allotment of Equity Share as bonus on April 15, 2024 to the existing shareholders, which do not have any impact on the percentage holding of the shareholders since issued on proportionate basis, our Company has not issued any primary / new shares (equity / convertible securities) during the 18 (eighteen) months preceding the date of the Red Herring Prospectus

BID / ISSUE PERIOD
ANCHOR INVESTOR BIDDING DATE: MONDAY, JANUARY 06, 2025
BID / ISSUE OPENS ON: TUESDAY JANUARY 07, 2025
BID / ISSUE CLOSES ON: THURSDAY JANUARY 09, 2025[†]
[†] UPI mandate end time and date shall be at 5:00 p.m. on Bid / Issue Closing Date.

12 (twelve) Promoter Group Shareholders have undertaken secondary sale of 20,00,000 Equity Shares of face value ₹ 10 each of the Company on October 25, 2024 at a price of ₹ 240 per Equity Share. Also, one of the Promoter Group shareholders has undertaken inter-se transfer of 4,00,000 equity shares of face value ₹ 10 each, by way of gift, for Nil consideration on September 12, 2024. For further details see "Capital Structure - Build up of our Promoters' shareholding in our Company" on page 113 and 118 and "Basis of Issue Price - Weighted average cost of acquisition" on page 144 of the RHP.

The details of secondary sale / inter-se transfers are as follows:

Sr. No.	Nature of relationship of transferors with Company	Nature of relationship of transferees with Company	Date of transfer	No. of Equity Shares transferred	Total consideration (in ₹)
1	Promoter / Promoter Group shareholders	Nil	October 25, 2024	20,00,000	48,00,00,000
2	Promoter Group Shareholder	Promoter shareholder	September 12, 2024	4,00,000	Nil

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