

		
DAM CAPITAL ADVISORS LIMITED <i>(Formerly IDFC Securities Limited)</i> One BKC, Tower C, 15 th Floor, Unit No. 1511 Bandra Kurla Complex, Bandra (East) Mumbai 400051, Maharashtra, India Telephone: + 91 22 4202 2500 Email: syrma.ipo@damcapital.in Investor grievance email: complaint@damcapital.in Website: www.damcapital.in SEBI Registration No: MB/INM000011336 CIN: U99999MH1993PLC071865	ICICI SECURITIES LIMITED ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi Mumbai - 400025 Maharashtra, India Tel: +91 22 6807 7100 Email: syrma.ipo@icicisecurities.com Investor grievance email: customercare@icicisecurities.com Website: www.icicisecurities.com SEBI Registration No.: INM000011179 CIN: L67120MH1995PLC086241	IIFL Securities Limited 10 th Floor, IIFL Centre Kamala City, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013 Maharashtra, India Telephone: +91 22 4646 4600 E-mail: syrmasgs.ipo@iiflcap.com Investor grievance email: ig.ib@iiflcap.com Website: www.iiflcap.com SEBI registration number: INM000010940 CIN: L99999MH1996PLC132983

Ref No: DAM/SYRMA/SEBI/2022/03/01

March 3, 2022

Securities and Exchange Board of India

Corporation Finance Department
 Division of Issues and Listing
 SEBI Bhavan, Plot No. C4 A, G Block
 Bandra Kurla Complex, Bandra (East)
 Mumbai 400 051
 Maharashtra, India

Kind Attention: Mr. Sathya Kumaran K S, Assistant General Manager

Dear Sir

Re: Proposed initial public offering of equity shares of face value of ₹ 10 each (the “Equity Shares”) of Syrma SGS Technology Limited (the “Company”) consisting of a fresh issue and an offer for sale by certain existing shareholders of the Company (the “Offer”)

This is with reference to the email dated February 25, 2022 (the “**Observations**”), issued by the Securities and Exchange Board of India (“**SEBI**”), in connection with the draft red herring prospectus of the Company dated December 13, 2021 (the “**Draft Red Herring Prospectus**” or “**DRHP**”) filed with SEBI in relation to the Offer and our response vide our letter dated January 27, 2022 to the initial observations issued by SEBI *vide* Letter No. SEBI/HO/CFD/DIL2/VJ/SKS/OW/P/2022/01209/1 dated January 16, 2022, wherein we have been advised to provide certain clarifications regarding the Draft Red Herring Prospectus.

In this regard, based on the information and / or documents made available to us, and our discussions with the representatives of the Company, we have enclosed in-seriatim responses to the Observations as **Annexure A** hereto. All capitalised terms not specifically defined in this letter and in **Annexure A** shall have the meaning ascribed to such terms in the DRHP.

Please feel free to contact any of the following officials of DAM Capital Advisors Limited in case you need any additional information or clarification:

Contact Person	Mobile number	Email
Sachin Chandiwala	+91 98205 31925	sachin@damcapital.in
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Thanking you.

Sincerely

Encl: Annexure as above

		
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Signature page to the letter to be submitted to SEBI for the IPO of Syrma SGS Technology Limited

For DAM Capital Advisors Limited
(Formerly IDFC Securities Limited)

Sachin Chandiwala



Authorized Signatory

Name: Sachin K. Chandiwala
 Designation: MD – Corporate Finance
 Contact Number: +91 22 4202 2500
 Email: syrma.ipo@damcapital.in

		
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For ICICI Securities Limited







Authorized Signatory

Name: Hitesh Mandot

Designation: Senior Vice President & Co-Head - Capital Markets Execution

Contact Number: +91 22 6807 7141

Email: hitesh.mandot@icicisecurities.com

		
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Signature page to the letter to be submitted to SEBI for the IPO of Syrma SGS Technology Limited

For IIFL Securities Limited




Authorized Signatory

Name: Pawan Jain

Designation: Assistant Vice President

Contact Number: +91 9004072913

Email: pawan.jain@iiflcap.com

ANNEXURE A

Response to the Initial Observations

S. No.	Observation	Response
1. Forward Looking Statements		
	<p>As per point (e) under “Instructions” of Part A of Schedule VI of the SEBI ICDR Regulations, there shall be no forward-looking statements that cannot be substantiated. In this context, you have submitted that - <i>“certain forward-looking statements have been included in the DRHP to describe, among other things, the business strategies of the Company, the potential effect or outcome of certain risks which cannot be quantified, and to indicate certain significant factors which could potentially have an impact on the results of operations or financial condition of the Company.”</i> It is viewed that the submission made by you, in this regard, is in contradiction to the intention and spirit of the ICDR Regulations. Accordingly, this aspect needs to be relooked.</p>	<p>Paragraph (11)(1)(C)(ii) of Part A of Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI ICDR Regulations”) requires that factors that may affect the results of operations of the issuer shall be disclosed in the offer documents. Further, Paragraph (10)(B)(2) of Part A of Schedule VI of the SEBI ICDR Regulations requires that statements about the business strategy of the issuer shall be disclosed in its offer documents, without any forecast of projections relating to the financial performance of the issuer. Further, in accordance with Paragraph (5)(D)(1) of Part A of Schedule VI of the SEBI ICDR Regulations, details of risks envisaged by the issuer are required to be disclosed in the offer documents.</p> <p>In light of these disclosure requirements, the forward-looking statements referred to in the Observations have been included in the DRHP As set out in the section “Forward-Looking Statements” on page 19 of the DRHP, the assumptions based on which such forward-looking statements have been made in the DRHP are reasonable and may be substantiated based on the Company’s past experience and its understanding of the industry practices, which is also based on its business experience till date.</p> <p>Accordingly, in our understanding, such statements included in the DRHP can be substantiated and are in compliance with point (e) under Instructions of Part A of Schedule VI of the SEBI ICDR Regulations.</p>
2. Risk Factors		
(a)	<p>Basis of deciding “materially” may be elaborated.</p>	<p>The risk factors included in the DRHP were arranged and disclosed in order of materiality as perceived by the Company, in terms of (i) the potential impact of the relevant risk on the financial condition, cash flows and results of operations of the Company, and (ii) the likelihood of the occurrence of the relevant risk event described.</p> <p>In addition, while determining the materiality of a risk, in accordance with Paragraph (5)(C) of Schedule VI of the SEBI ICDR Regulations, the following factors were also considered:</p> <ul style="list-style-type: none"> (i) some risks may not be material individually but may be material when considered collectively. (ii) some risks may have an impact which is qualitative though not quantitative.



S. No.	Observation	Response
		(iii) Some risks may not be material at present but may have a material impact in the future.
(b)	Risk Factor 1 and 4: LM is advised to add the crux of the reply in this risk factor.	<p>Noted for compliance. Risk factor 1 shall be updated in the RHP in the following manner:</p> <p><i>“Our customers do not make long-term commitments to us and may cancel or change their production requirements. Such cancellations or changes may adversely affect our financial condition, cash flows and results of operations.</i></p> <p><i>We generally do not obtain firm, long-term purchase commitments from our customers, and frequently do not have visibility as to their future demand for our services. Customers also cancel, change or delay design, production or aftermarket service quantities and schedules, or fail to meet their forecasts for a number of reasons beyond our control. Customer expectations can change rapidly, requiring us to take on additional commitments or risks. In addition, customers may fail to meet their commitments to us or our expectations. Cancellations, reductions or delays by a significant customer, or by a group of customers, could seriously harm our operating results and negatively affect our working capital levels. Such cancellations, reductions or delays have occurred from time to time and may continue to occur in the future. The volume and timing of sales to our customers vary due to changes in demand for their products their attempts to manage their inventory; design changes; changes in their manufacturing strategies; and acquisitions of, or consolidations among, customers. While there was no adverse effect on our Company’s business and financial condition, pursuant to cancellation, reduction, changes or delays in orders by the customers of the Company in the last three Fiscals, our Company believes that if any such event happens in the future, it may adversely affect our Company’s business.</i></p> <p><i>In addition, we make significant decisions based on our estimates of customers’ demand, including determining the levels of business that we will seek and accept, manufacturing schedules, component procurement commitments, working capital (including inventory) management, facility and capacity requirements, personnel needs and other resource requirements. The short-term nature of our customers’ commitments and the possibility of rapid changes in demand for their products affect our ability to accurately estimate their future requirements. Because certain of our operating expenses are fixed, a reduction in customer demand can harm our operating results. The need for us to correctly anticipate component needs is amplified in times of shortages. The current environment of tight component supply, which might be further impacted by global pandemic-related interruptions, can increase the difficulties and cost of anticipating changing demand. Moreover, because our margins vary across customers and specific</i></p>

S. No.	Observation	Response
		<p><i>programs, a reduction in demand with higher margin customers or programs will have a more significant adverse effect on our operating results. Low utilization of our manufacturing facilities could also result in our realizing lower margins as we may not be able to undertake manufacturing in large numbers which is critical to our business. ...”</i></p> <p>Further, Risk factor 4 shall be updated in the RHP in the following manner:</p> <p><i>“Strong relationships with our customers are very essential to our business. Loss of relationship with any of our customers may have a material adverse effect on our financial conditions, cash flows and results of operations.</i></p> <p><i>Maintaining strong relationships with our key customers is essential to our business strategy and to the growth of our business. In the three months ended June 30, 2021, we catered to over 200 customers of which 16 customers have been associated for over a period of 10 years. Some of our customers may place demands on our resources or may require us to undertake additional obligations which have the effect of increasing our operating costs, therefore affecting our profitability. Additionally, the loss of any key customer, may significantly affect our revenues, and we may have difficulty securing comparable levels of business from other customers to offset any loss of revenue from the loss of any such key customers, including our largest customer or even our top five customers. Our top 5 customers contributed to ₹ 2,928.78 million representing 33.00% of our total revenue in Fiscal 2021. Further, we may not be able to re-allocate our resources and assets in a timely or efficient manner. Considering the nature of our business, our Company does not enter into any fixed long-term arrangements with any of its customers, and such customers issue purchase orders to our Company for specified quantities from time to time. Accordingly, to be able to determine the ‘loss’ of relationship with a customer, our Company would need to identify whether such customer has not placed any orders with the Company over an extended period of time, and the reasons for the same, to be able to determine where it is attributable to the Company or otherwise. In light of this, our Company may be unable to quantify the loss of relationships with our customers for reasons attributable to us, including in the last three Fiscals. However, in the event such losses occur, it may have a material adverse effect on our financial condition, cash flows and results of operations.</i></p> <p><i>In addition, we generate account receivables in connection with provision of manufacturing services to our key customers. If one or more of our customers were to become insolvent or otherwise unable to pay for the</i></p>



S. No.	Observation	Response
		<p><i>products supplied by us, this could have a have an impact on our business as we may not be able to recoup the unpaid production costs and materials incurred for manufacturing purposes. ...”</i></p> <p>Accordingly, we undertake to amend the said Risk Factors in the RHP as mentioned above.</p>
(c)	<p>Risk Factor 2: LM is advised to add the crux of the reply in this risk factor apart from the amendment made to this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk factor 2 shall be updated in the RHP in the following manner:</p> <p><i>“The strict quality requirements required to be complied with by us result in us incurring significant expenses to maintain our product quality. Any failure may adversely affect our reputation, financial conditions, cash flows and results of operations.</i>”</p> <p><i>Given the nature of our products, our customers have high and exacting standards for product quality as well as delivery schedules. Adherence to quality standards is a critical factor in our manufacturing process as any defects in the products manufactured by our Company or failure to comply with the technical specifications of our customers may lead to cancellation of the orders placed by our customers. These quality specifications and requirements include, among others, absence of functional failure, passing of the parametric and functional testing as per the relevant specifications, completion of AOI process, completion of reliability tests at various moisture levels and 4-corner testing and such other specifications specified by our customers. Further, any failure to make timely deliveries of products in the desired quantity as per our customers’ requirements could also result in the cancellation of orders placed by our customers and may adversely affect our reputation and goodwill. Additionally, prior to placing the orders, there is a detailed review process that is undertaken by certain customers. This may involve inspection of our manufacturing facilities, review of the manufacturing processes, review of the raw materials, review of our financial capabilities, technical review of the designs and specification of the proposed product, review of our logistical capabilities across geographies, review of the target price by the purchase team of the customer and multiple inspection and review of prototypes of the product. Where we manufacture finished products, deliveries are further subject to laboratory validation by certain customers. This is an extensive and stringent process undertaken by our customers. We are therefore subject to a stringent quality control mechanism at each stage of the manufacturing process and are required to maintain the quality and precision level for each product. As a result, we are required to incur expenses to maintain our quality assurance systems such as forming a separate team of engineers responsible for quality and assurance both in the manufacturing facilities and machineries, and in the manufacturing processes. This is undertaken by an independent quality</i></p>

S. No.	Observation	Response
		<p><i>control department in our Company which is responsible for ensuring quality in respect of all aspects of our operations. There have been no instances in the last three Fiscals and the current Fiscal, where our Company has failed to meet the relevant quality requirements in respect of the products manufactured by it, that have materially impacted the Company's business and operations. However, if any such event were to occur in future, it may have a material adverse effect on our financial condition, cash flows and results of operations.</i></p> <p><i>Additionally, certain customers have high and stringent standards for product quantity and quality as well as delivery schedules. Any failure to meet our customers' expectations and specifications could result in the cancellation or non-renewal of contracts or purchase orders. We will continue to spend a portion of our future revenues to manage our product quality and to maintain our quality control a failure of which may negatively impact our profitability."</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>
(d)	<p>Risk Factor 3: The query remains unanswered. This aspect has to be supported with facts and figures.</p>	<p>Noted for compliance.</p> <p>Risk Factor 3 shall be updated in the RHP to include facts and figures as set out below:</p> <p><i>"The COVID-19 pandemic and resulting deterioration of general economic conditions has impacted our business and results of operations in the past and the extent to which it may impact our future business and results of operations will depend on future developments, which are difficult to predict.</i></p> <p><i>Since first being reported in December 2019, the outbreak of COVID-19 has spread globally. The World Health Organization declared the novel coronavirus disease ("COVID-19") outbreak a pandemic on March 11, 2020. The rapid and diffused spread of COVID-19 and global health concerns relating to this pandemic have had a severe negative impact on, among other things, financial markets, liquidity, economic conditions and trade and could continue to do so or could worsen for an unknown period of time, that could in turn have a material adverse impact on our business, cash flows, results of operations and financial condition, including liquidity and growth. The extent to which the COVID-19 outbreak impacts our business, cash flows, results of operations and financial condition will depend on future developments, including on the duration and severity of the pandemic, the nature and scope of government actions to contain it, and the potential impact on global and national economic conditions, including inflation, interest rates, availability of capital markets, consumer spending rates, energy availability and costs (including fuel surcharges), which are highly uncertain and cannot be predicted. A rapid increase in severe cases and deaths where measures taken by</i></p>

S. No.	Observation	Response
		<p><i>governments fail or are lifted prematurely, may cause unprecedented economic disruption in India and in the rest of the world. While the Government of India in coordination with the state governments have started the bulk immunization process or vaccination drive since January 16, 2021, the scope, duration and frequency of such measures and the adverse effects of COVID-19 remain uncertain and are likely to be severe.</i></p> <p><i>On March 14, 2020, India declared COVID-19 as a ‘notified disaster’ and imposed a nationwide lockdown announced on March 24, 2020. Subsequently, progressive relaxations have been granted for movement of goods and people and cautious re-opening of businesses and offices. In view of the lockdown, all of our manufacturing facilities were closed from March 23, 2020 to April 18, 2020, following which we continued to operate at less than our 50% of our capacity till July 2020. Further, our manufacturing facilities are currently operating subject to certain social distancing and additional safety measures, such as, regular temperature checks, regular sanitization, and compulsory use of masks and hand sanitization. The COVID-19 pandemic resulted in some disruptions in the supply of raw materials from our domestic and international suppliers during the months of April 2020 - July 2020. We also experienced some disruptions in supply chain and inventory management, as well as delays in orders. The localised lockdowns across India also resulted in deferment of orders from our customers. For instance, our proforma cost of materials consumed, as per our Proforma Condensed Combined Financial Information, increased from ₹ 5,172.58 million representing 64.16% as a % to total Income in Fiscal 2019 to ₹ 5,895.14 million representing 65.19% as a % to total Income in Fiscal 2021, i.e., an increase of 103 basis points. A portion of such increase in cost of raw materials may be attributable to disruptions caused by COVID-19.</i></p> <p><i>We continue to closely monitor the impact that COVID-19 may have on our business and results of operations. The COVID-19 pandemic and related volatility in financial markets and deterioration of national and global economic conditions could affect our business and operations in a variety of ways. ...”</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>
(e)	Risk Factor 5: LM is advised to add the crux of the reply in this risk factor.	<p>Noted for compliance.</p> <p>Risk factor 5 shall be updated in the RHP in the following manner:</p> <p><i>“The global nature of our operations exposes us to numerous risks that could materially adversely affect our financial condition and results of operations.</i>”</p>

S. No.	Observation	Response
		<p><i>Our products are sold in over 20 countries where our customers operate. While all of our manufacturing facilities are located in India, a large portion of our sales are generated outside of India, with exports constituting 70.04% of our revenue from operations in Fiscal 2021. In relation to our customers, they are also subject to various risks in relation to their business and any economic uncertainty in some of the geographic regions in which they operate in, could result in the disruption of commerce and negatively impact cash flows from our operations in those areas.</i></p> <p><i>These risks include:</i></p> <ul style="list-style-type: none"> • <i>COVID-19-related closures and other pandemic-related uncertainties in the countries in which we operate;</i> • <i>Import and export regulations that could erode profit margins or restrict exports;</i> • <i>Foreign exchange controls and tax rates;</i> • <i>Foreign currency exchange rate fluctuations, including devaluations;</i> • <i>Changes in regional and local economic conditions, including local inflationary pressures;</i> • <i>Difficulty of enforcing agreements and collecting receivables through certain foreign systems;</i> • <i>Variations in protection of intellectual property and other legal rights;</i> • <i>Changes in labour conditions and difficulties in staffing and managing international operations;</i> • <i>Inability or regulatory limitations on our ability to move goods across borders;</i> • <i>Changes in laws and regulations;</i> • <i>Social plans that prohibit or increase the cost of certain restructuring actions;</i> • <i>The uncertainty surrounding the implementation and effects of Brexit;</i> • <i>The potential for nationalization of enterprises or facilities; and</i> • <i>Unsettled political conditions and possible terrorist attacks against countries where we sell our products or have other interests.</i> <p><i>While there are no specific instances of the events set out above that have occurred in the last three Fiscals and that have materially and adversely impacted the Company, if we are unable to anticipate and effectively manage these and other risks in case any of such events do occur in the future, it could have a material and adverse effect on our business, our results of operations and financial condition.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>

S. No.	Observation	Response
(f)	<p>Risk Factor 6: LM is advised to add the crux of the reply in this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk factor 6 shall be updated in the RHP in the following manner:</p> <p><i>“We depend on third parties for the supply of raw materials and import majority of our raw materials, and delivery of products and such providers could fail to meet their obligations, which may have a material adverse effect on our business, results of operations and financial condition.</i>”</p> <p><i>We are dependent on third party suppliers for our raw materials. The raw materials used by us include electronic components, wound components, wiring harness, plastic parts, sheet metal parts and process consumables. Discontinuation of production by our suppliers or a failure of these suppliers to adhere to the delivery schedule or the required quality could hamper our manufacturing schedule and therefore affect our business and results of operations. This dependence may also adversely affect the availability of key materials at reasonable prices thus affecting our margins and may have an adverse effect on our business, results of operations and financial condition. There can be no assurance that strong demand, capacity limitations or other problems experienced by our suppliers will not result in occasional shortages or delays in their supply of raw materials.</i></p> <p><i>There can be shortages or oversupply (as the case maybe) of key components. A shortage of any of these components generally increases their prices, and may depress our margins to the extent that it is not possible to pass these higher component prices on to our customers. For instance, in the current fiscal, there has been global shortage of semiconductor chips (Source: F&S Report) which has resulted in an increase in our cost of raw materials and components. In our experience, such shortages can quickly end and result in oversupply as suppliers ramp up manufacturing following capital expenditures to increase capacity. If we fail to anticipate customer demand properly, a temporary oversupply could result in excess or obsolete components which could affect our gross margin and may also affect our working capital management. Our Company has not been materially and adversely affected in the past three Fiscals due to shortage of, or increase in the cost of raw materials, as our Company, in many instances has been able to pass on the increase in the cost of raw materials to its customers. However, such volatility in supply of raw materials or components may adversely affect our business if we cannot manage our supply of such components and react quickly to market changes. We believe that shortages and oversupply are cyclical in nature and integral to our business cycle, and hence there can be no assurance that shortages or oversupply of key components</i></p>

S. No.	Observation	Response
		<p><i>(among others) will not occur in the future or that any such shortages or oversupply will not be a major contributing factor to our results of operations. ..."</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>
(g)	<p>Risk Factor 7: LM is advised to add the crux of the reply in this risk factor apart from the amendment made to this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk Factor 7 shall be updated in the RHP in the following manner:</p> <p><i>"Delay in schedule of our expansion into new territories may subject our Company to risks related to time and cost overrun which may have a material adverse effect on our business, results of operations and financial condition.</i></p> <p><i>Our Company may face risks relating to the commissioning of any new manufacturing facilities in newer territories or failure to expand our manufacturing capacity to meet future demand for our products on account of reasons including but not limited to changes in the general economic and financial conditions in India. For details of the manufacturing facilities proposed to be commissioned by our Company, see "Objects of the Offer" on page 95. Our future contracts which contemplate change of technical requirements of existing contracts for new products may require us to set up new facilities, develop suitable technologies and install and commission new equipment, which will require considerable capital infusion and time.</i></p> <p><i>While commissioning any manufacturing facilities in newer territories, we may also encounter various setbacks such as adverse weather conditions, delay in receiving required government approvals, construction defects and delivery failures by suppliers, unexpected delays in obtaining permits and authorizations, or legal actions brought by third parties. In the last three Fiscals, we have commissioned a manufacturing facility in Bangalore and Chennai each. For details of our manufacturing facilities, see "Our Business – Our Manufacturing Facilities on page [●]. Some of the measures that we undertake when we commission a new manufacturing facility include the appointment of competent contractors, and appointment of the necessary persons / agencies to help us obtain the required approvals for such facility. Further as and when we commission our planned manufacturing facilities, our raw material requirements and costs as well as our staffing requirements and employee expenses may increase and we may face other challenges in extending our financial and other controls to our new manufacturing facilities as well as in realigning our management and other resources and managing our consequent growth. While there have been no significant setbacks experienced by the Company in the last three Fiscals and the current Fiscal,</i></p>

S. No.	Observation	Response
		<p><i>while commissioning new manufacturing facilities by it, in the event such setbacks occur in the future, it may have a material adverse effect on our financial condition, cash flows and results of operations.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>
(h)	<p>Risk Factor 8, 9 and 11: LM is advised to add the crux of the reply in the respective risk factors.</p>	<p>Noted for compliance.</p> <p>Risk Factor 8 shall be updated in the RHP in the following manner:</p> <p><i>“There may be problems with the products we design, manufacture or service that could result in liability claims against us, reduced demand for our services and damage to our reputation.</i></p> <p><i>We design, manufacture and sell products based on our customers’ specifications, many of which are highly complex, particularly when catering to end-use industries such as healthcare and industrial appliances, that have higher risk profiles. Despite our quality control and quality assurance efforts, problems may occur, or may be alleged, in the design, manufacturing or servicing of these products, including as a result of business continuity issues. Any failure on our part to render services as per client requirements could result in a claim against us for substantial damages, regardless of our responsibility for such a failure or defect.</i></p> <p><i>Whether or not we are responsible for the problems in the products we manufacture, whether real or alleged, whether caused by faulty customer specifications, the design or manufacturing processes, servicing, or a component defect, may result in delayed shipments to customers or, reduction or cancellation of customer orders. If these problems were to occur in large quantities or too frequently, our business reputation may also be tarnished. In addition, such problems may result in liability claims against us, whether or not we are responsible. These potential claims may include damages for the recall of a product or injury to person or property. Although we attempt to limit our contractual liability for all damages, including consequential damages, in rendering our services, we cannot assure you that in case any claims for damages are made by our customers, the limitations on liability we provide for in our service contracts will be enforceable, or that they will otherwise be sufficient to protect us from liability for damages. While the Company has not been subject to claims from its customers in respect of the products manufactured by it in the last three Fiscals, the successful assertion of any claim in the future could have a material adverse effect on our business, financial condition and results of operations and could damage our reputation.</i></p>

S. No.	Observation	Response
		<p><i>Further, even if customers or third parties, such as component suppliers, are responsible for defects, they may not, or may not be able to, assume responsibility for any such costs or required payments to us. While we seek to secure contractual protection and/or to insure against many of these risks, we may not have practical recourse against certain suppliers, and contractual protections, insurance coverage or supplier warranties, as well as our other risk mitigation efforts, may be inadequate, costly, or unavailable. We occasionally incur costs defending claims, and any such disputes could adversely affect our business relationships.”</i></p> <p>Further, Risk Factor 9 shall be updated in the RHP in the following manner:</p> <p><i>“Our research and development capabilities are critical to our success. Any failure to derive results from our research and development efforts may hurt our competitiveness and profitability.</i></p> <p><i>Our success is dependent on our ability to develop new products and continue to work on and improve manufacturing capabilities. We make investments in product research and development, in particular, to improve the quality of our products and expand our new product offerings, which we believe are factors crucial for our future growth and prospects. During the Fiscals 2019, 2020, and 2021 and the three months ended June 30, 2021, we have incurred research and development expenditure aggregating to ₹ 28.68 million, ₹ 32.57 million, ₹ 37.45 million, and ₹ 12.68 million, respectively. We cannot assure you that our future product research and development initiatives will be successful or be completed within the anticipated time frame or budget, or that our newly developed or improvised products will achieve wide market acceptance from our customers. Even if such products are accepted by our customers, there is no guarantee that we will achieve our anticipated sales targets at all or achieve it in a profitable manner. Additionally, there can be no guarantee that the time and effort that we spend on research and development would be beneficial to the Company. There can be no assurance that costs incurred by us towards research and development may be effective in increasing cost efficiencies in respect of our manufacturing of these products. In addition, we cannot assure you that our existing or potential competitors will not develop products which are similar or superior to our products. It is often difficult to project the time frame for developing new products and the duration of market window for these products, and there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product. While the Company has not faced any specific instances of the events set out herein, that have materially and adversely impacted the Company’s competitiveness and profitability, the Company believes that in case any such event occurs in</i></p>

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		<p>the future if we continue to fail in our product launch efforts, our business, prospects, financial condition and results of operations may be materially and adversely affected.”</p> <p>Further, Risk Factor 11 shall be updated in the RHP in the following manner:</p> <p>“Unplanned slowdowns or shutdowns in our manufacturing operations could have an adverse effect on our business, results of operations and financial condition.</p> <p><i>Our business is dependent upon our ability to efficiently manage our manufacturing facilities, which are subject to various operating risks, including productivity of our workforce, compliance with regulatory requirements and circumstances beyond our control, such as the breakdown and failure of equipment or industrial accidents, severe weather conditions, natural disasters and infectious disease outbreaks such as the COVID-19 pandemic. Any malfunction or breakdown of our machinery may require significant repair costs and consequently cause delays in our operations. We may also face protests from local citizens at our existing manufacturing facility or while setting up new facilities, which may delay or halt our operations. In addition, due to COVID-19, operations at our manufacturing facilities were temporarily suspended from March 23, 2020 to April 18, 2020, following which we continued to operate at less than our 50% of our capacity till July 2020. Apart from this, there are no instances of unplanned slowdowns or shutdowns in the manufacturing operations of the Company.</i></p> <p><i>Our operations also require a significant amount and continuous supply of electricity and fuel and any shortage or non-availability of such utilities may adversely affect our operations. Any interruption in the continuous supply electricity may negatively impact the quality of the final product manufactured by us, which may result in delays in delivery of our products or non-delivery, resulting in loss of revenue and damage to our reputation or customer relationship. A prolonged interruption of electricity supply can also result in manufacturing slowdown or shutdowns, increased costs associated with restarting manufacturing and the loss of manufacturing in progress. The occurrence of any such event in the future could have an adverse effect on our business, results of operations and financial condition. Our inability to effectively respond to any shutdown or slowdown and rectify any disruption, in a timely manner and at an acceptable cost, could lead to an inability to comply with our customers’ requirements and result in us breaching our contractual obligations.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factors in the RHP as mentioned above.</p>

S. No.	Observation	Response
(i)	<p>Risk Factor 12: LM is advised to add the crux of the reply in this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk Factor 12 shall be updated in the RHP in the following manner:</p> <p><i>“Non-compliance with and changes in, safety, health, environmental and labour laws and other applicable regulations, may adversely affect our business, results of operations and financial condition.</i></p> <p><i>We are subject to laws and government regulations, including in relation to safety, health, environmental protection and labour. These laws and regulations impose controls on air and water discharge, noise levels, storage handling, employee exposure to hazardous substances and other aspects of our manufacturing operations. Further, our manufacturing processes are also subject to laws and regulations in relation to quality, safety and health.</i></p> <p><i>Further, laws and regulations may limit the amount of hazardous and pollutant discharge that our manufacturing facilities may release into the air and water. The discharge of materials that hazardous into the air, soil or water beyond these limits may cause us to be liable to regulatory bodies or third parties. Any of the foregoing could subject us to litigation, which could lower our profits in the event we were found liable, and could also adversely affect our reputation. Additionally, the government or the relevant regulatory bodies may require us to shut down our manufacturing facilities , which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers.</i></p> <p><i>We are also subject to the laws and regulations governing employees, including in relation to minimum wage and maximum working hours, overtime, working conditions, maternity leave, hiring and termination of employees, contract labour and work permits. We have incurred and expect to continue incurring costs for compliance with such laws and regulations. These laws and regulations have, however, become increasingly stringent and it is possible that they will become significantly more stringent in the future. If we are unable to remain in compliance with all applicable environmental, health and safety and labour laws, including pursuant to either any inadvertent actions or inaction by our Company or factors that may be outside the direct control of our Company, our business, results of operations and financial condition may be adversely affected.”</i></p>
(j)	<p>Risk Factor 14: LM is advised to add the crux of the reply in this risk factor.</p>	<p>Noted for compliance.</p>

S. No.	Observation	Response
		<p>Risk Factor 14 shall be updated in the RHP in the following manner:</p> <p><i>“Our failure to identify and understand evolving industry trends and preferences and to develop new products to meet our customers’ demands may materially adversely affect our business.</i></p> <p><i>Changes in the preferences of our customers, regulatory or industry trends or requirements, or in competitive technologies may render certain of our products or business strategies obsolete or less attractive. To compete effectively in the EMS sector, we must be able to develop, upgrade and manufacture new products to meet our customers’ demand in a timely manner. In order to do so, we need to identify and understand the key market trends and address our customers’ evolving needs proactively and on a timely basis. As a result, we may incur, and have in the past incurred, capital expenditures for development of products to meet the demands of our customers. We cannot assure you, however, that we will be able to install and commission the equipment needed to manufacture products for our customers on time. Our failure to successfully and timely develop and manufacture new products in order to cater to the requirements of our customers and industry trends could have a material adverse effect on our business, financial condition, results of operations and future prospects. Currently we are manufacturing PCBA, RFID etc., if there is any shift in technology or usage of these products, we may need some time to adapt to those changes and may need additional capex and may also render our existing plant and machinery defunct. While the Company has not faced any specific instances in the last three Fiscals where such an event has materially and adversely impacted the Company’s business, in case such an event occurred in the future, it may have a material adverse effect on our financial condition, cash flows and results of operations.</i></p> <p><i>Further, our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis is a significant factor in our ability to remain competitive. However, there can be no assurance that we will be able to secure the necessary technological knowledge, through research and development or through technical assistance agreements or otherwise, that will allow us to develop our product portfolio in this manner and ensure that we remain competitive. If we are unable to obtain such knowledge in a timely manner, or at all, we may be unable to effectively implement our strategies, and our business and results of operations may be adversely affected. Our inability to adopt new technologies may result in a loss of our business, which may have a material adverse impact on our business, financial condition, results of operations and cash flows.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factors in the RHP as mentioned above.</p>

S. No.	Observation	Response
(k)	<p>Risk Factor 15: LM is advised to add the crux of the reply in this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk Factor 15 shall be updated in the RHP in the following manner:</p> <p><i>“Cyber risk and the failure to maintain the integrity of our operational or security systems or infrastructure, or those of third parties with which we conduct business, could have a material adverse effect on our business, consolidated financial condition and consolidated results of operations.</i>”</p> <p><i>Cyber threats are rapidly evolving and are becoming increasingly sophisticated. Our Company expects to continue to experience cyber threats from time to time, which pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. There have been no instances of the loss / leakage of confidential information from our Company’s IT systems or due to cyber-attacks on our Company in the last three Fiscals. However, disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber-attacks or security breaches of our networks or systems in the future, could result in the loss of customers and business opportunities, legal liability, regulatory fines, penalties or intervention, other litigation, regulatory and legal risks and the costs associated therewith, reputational damage, reimbursement or other compensatory costs, remediation costs, increased cybersecurity protection costs, additional compliance costs, increased insurance premiums, and lost revenues, damage to the Company's competitiveness, share price, and long-term shareholder value, any of which could materially adversely affect our business, financial condition and results of operations. While we attempt to mitigate these risks, our systems, networks, products, solutions and services remain potentially vulnerable to advanced and persistent threats. We also maintain and have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws and regulations. Despite our efforts to protect such sensitive, confidential or personal data or information, our facilities and systems and those of our customers and third-party service providers may be vulnerable to security breaches, theft, fraud, misplaced or lost data, “Acts of God”, programming and/or human errors that could lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, manufacturing downtimes and operational disruptions, which in turn could adversely affect our consolidated financial condition and consolidated results of operations.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>

S. No.	Observation	Response
(l)	<p>Risk Factor 16: LM is advised to add the crux of the reply in this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk Factor 16 shall be updated in the RHP in the following manner:</p> <p><i>“We may be subject to third party claims of intellectual property infringement.</i></p> <p><i>While we take care to ensure that we comply with the intellectual property rights of others and we believe that our products and methodologies do not infringe on the intellectual property rights of any other party, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights which may force us to alter our technologies, obtain licenses or significantly cease some portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims.</i></p> <p><i>There are currently no pending or threatened intellectual property claims against us. Further, our Company has not been subject to any claims in relation to infringement of intellectual property rights, or otherwise was a party to any legal proceedings in relation to intellectual property rights in the last three Fiscals. However, if we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damages including damages based on profits that we have obtained from the allegedly infringing technology as well as exemplary damages that a court may award and we may be forced to develop non-infringing technology, obtain a license for the infringing technology or cease selling the applications and using the products or methodologies that contain the infringing technology. We may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms. Any third-party claims of intellectual property infringement may have a material adverse effect on our business, financial condition and results of operation.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>
(m)	<p>Risk Factor 17: LM is advised to add the crux of the reply in this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk Factor 17 shall be updated in the RHP in the following manner:</p> <p><i>“Our failure to keep our technical knowledge confidential could erode our competitive advantage.</i></p>

S. No.	Observation	Response
		<p><i>Like many of our competitors, we possess extensive technical knowledge about our products, including in relation to their manufacturing process. Such technical knowledge has been built up through our own experiences and through our agreements to avail technical know-how, which grant us access to new technologies. Our technical knowledge is a significant independent asset, which may not be adequately protected by intellectual property rights such as patent registration. As a result, we cannot be certain that our technical knowledge will remain confidential in the long run. Our Company has taken various steps to protect its technical confidential information, which include entering into non-disclosure agreements with our senior employees, restricting access to our computer systems through external storage devices, and setting up dual-factor authentication processes for login into the IT systems of our Company.</i></p> <p><i>Certain proprietary knowledge may be leaked, either inadvertently or wilfully, at various stages of the manufacturing process. A significant number of our employees have access to confidential product information and there can be no assurance that this information will remain confidential. Moreover, certain of our employees may leave us and join our various competitors. Although we may seek to enforce non-disclosure agreements in respect of certain key employees, we cannot guarantee that we will be able to successfully enforce such agreements. We also enter into non-disclosure agreements with a number of our customers and suppliers but we cannot assure you that such agreements will be successful in protecting our technical knowledge. The potential damage from such disclosure is increased as our products are not patented, and thus we may have no recourse against copies of our products that enter the market subsequent to such leakages. In the event the confidential technical information in respect of our products or business becomes available to third parties or to the general public, any competitive advantage we may have over other companies in the EMS sector could be harmed. If a competitor is able to reproduce or otherwise capitalise on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Consequently, while no confidential technical information of our Company has been leaked in the last three Fiscals, any leakage of confidential technical information in the future could have an adverse effect on our business, results of operations, financial condition and future prospects.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>
(n)	<p>Risk Factor 18: LM is advised to add the crux of the reply in this risk factor apart from the amendment made to this risk factor.</p>	<p>Noted for compliance.</p> <p>Risk factor 18 shall be updated in the RHP in the following manner:</p>

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		<p><i>“Any defaults or delays in payment by a significant portion of our customers, may have an adverse effect on cash flows, results of operations and financial condition.</i></p> <p><i>In the ordinary course of business, we extend credit to our customers. Consequently, we are exposed to the risk of the uncertainty regarding the receipt of the outstanding amounts. As on March 31, 2021, our trade receivables was ₹ 1,278.72 million. Further, based on our Proforma Condensed Combined Financial Information, as on March 31, 2021, our proforma trade receivables was ₹ 2,084.34 million. Further, set out below are the details of our Receivables Turnover ratio for Fiscals 2021, 2020 and 2019:</i></p> <p style="text-align: right;"><i>(in ₹ million, unless otherwise specified)</i></p> <table border="1" data-bbox="884 598 2029 699"> <thead> <tr> <th></th> <th>Fiscal 2021</th> <th>Fiscal 2020</th> <th>Fiscal 2019</th> </tr> </thead> <tbody> <tr> <td>Receivables Turnover Ratio⁽¹⁾</td> <td style="text-align: center;">4.01</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.93</td> </tr> </tbody> </table> <p>⁽¹⁾ <i>Receivables Turnover Ratio = Sale of products, services, scrap sales and GST component on such sales/ average of opening and closing trade receivables</i></p> <p><i>Our results of operations and profitability depend on the credit worthiness of our customers. Certain of these customers may have weak credit histories and we cannot assure that these counterparties will always be able to pay us in a timely fashion, or at all. There have been no instances of major delays or major defaults in payments by the Company’s customers in the last three Fiscals and the current Fiscal that have materially impacted the Company’s business and operations. However, any adverse change in the financial condition of our customers may adversely affect their ability to make payments to us. Default or delays in payments by a significant portion of our customers may have an adverse effect on cash flows, results of operations and financial condition”</i></p> <p>Accordingly, we undertake to amend the said Risk Factor in the RHP as mentioned above.</p>		Fiscal 2021	Fiscal 2020	Fiscal 2019	Receivables Turnover Ratio ⁽¹⁾	4.01	3.77	3.93
	Fiscal 2021	Fiscal 2020	Fiscal 2019							
Receivables Turnover Ratio ⁽¹⁾	4.01	3.77	3.93							
(o)	<p>Risk Factor 19 and 20: LM is advised to add the crux of the reply in the respective risk factors.</p>	<p>Noted for compliance.</p> <p>Risk factor 19 shall be updated in the RHP in the following manner:</p> <p><i>“The markets in which our customers compete are characterized by consumers and their rapidly changing preferences, advancement in technology and other related factors including lower manufacturing costs and therefore as a result our Company may be affected by any disruptions in the industry.</i></p>								

S. No.	Observation	Response
		<p><i>The markets in which we and our customers compete are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. These conditions frequently result in short product life cycles. Some of the customers for whom we manufacture products for may also chose not to continue operations in India for many reasons which can also include customer preferences, among others. In Fiscal 2021, our revenue from operations attributable to industrial appliances industry, automotive industry, healthcare industry, consumer products industry, IT industry and other industries were 44.28%, 14.68%, 14.02%, 23.49%, 2.31%, and 1.22%, respectively of our revenue from operations. Our Company is dependent on the end-use industries i.e. the industries that our customers operate in. Accordingly, based on the continuously evolving requirements of these industries and the preferences of the end-users, our Company needs to ensure that its products are suitably customized or upgraded to meet such requirements. Considering the continuously evolving nature of these industries, it would be difficult for our Company to ascertain any specific instance that would have adversely affected its business, financial condition or results of operation. However, any failure by us in the future may have a material adverse effect on our financial condition, cash flows and results of operations. ...”</i></p> <p>Further, Risk factor 20 shall be updated in the RHP in the following manner:</p> <p>“Our profitability could suffer if our cost management strategies are unsuccessful or our competitors develop an advantageous cost structure that we cannot match.</p> <p><i>Our ability to improve or maintain our profitability is dependent on our ability to successfully manage our costs. Our cost management strategies include maintaining appropriate alignment between the demand for our offerings and our resource capacity and maintaining or improving our sales and marketing and general and administrative costs as a percentage of revenues. Our cost management strategies are formulated based on the internal management estimates of our Company based on our past experience, and are continuously evolving to factor any change in facts and assumptions applicable to the Company at any given point in time. In light of this, while it may not be possible to ascertain any specific instance in this regard that would have adversely affected the Company in the past, if our cost management efforts are not successful, our efficiency may suffer and we may not achieve desired levels of profitability. In addition, we may not be able to implement our cost management efforts in a manner that permits us to realize the cost savings we anticipate in the time, manner, or amount we currently expect, or at all due to a variety of risks, including, but not limited to, difficulties in integrating shared services within our business, higher than expected employee severance or retention costs, higher than expected overhead expenses, delays in the</i></p>

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		<p><i>anticipated timing of activities related to our cost savings plans, and other unexpected costs associated with operating our business. If we are not effective in managing our operating costs in response to changes in demand or pricing, or if we are unable to absorb or pass on increases in the compensation of our employees or costs of raw materials, we may not be able to invest in our business in an amount necessary to achieve our planned rates of growth, and our business, financial condition, and results of operations could be materially adversely affected.</i></p> <p><i>It may be possible for our current or future competitors to gain an advantage in product technology, manufacturing technology, or process technology, which may allow them to offer products or services that have a significant advantage over our offerings. Advantages could be in price, capacity, performance, reliability, serviceability, industry standards or formats, brand and marketing, or other attributes. If we do not compete successfully by developing and deploying new cost-effective products, processes, and technologies on a timely basis and by adapting to changes in our industry and the global economy, there could be a material adverse effect on our business, financial condition, and results of operations. Similarly, our products are used by manufacturers in a variety of industries. To the extent these industries become more sensitive to input costs, we may face price pressure. Our ability to respond to such pressures depends on the strength and viability of our internal cost management and pricing programs. Any failure of these programs could have a material adverse effect on our business, financial condition, and results of operations.”</i></p> <p>Accordingly, we undertake to amend the said Risk Factors in the RHP as mentioned above.</p>
(p)	<p>Risk Factor 24, 26, 28, 30, 33 and 34: LM is advised to add the crux of the reply <i>in</i> the respective risk factors.</p>	<p>Noted for compliance.</p> <p>Risk factor 24 shall be updated in the RHP in the following manner:</p> <p><i>“Any adverse changes in regulations governing our business, products and the products of our customers, may adversely impact our business, prospects and results of operations.</i></p> <p><i>Government regulations and policies of India as well as the countries to which we export our products can affect the demand for, expenses related to and availability of our products. We have incurred and expect to continue incurring costs for compliance with such laws and regulations. Any changes in government regulations and policies, such as the withdrawal of or changes in tax benefits, incentives and subsidies or anti-dumping duties levied by India or other countries, could adversely affect our business and results of</i></p>

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		<p><i>operations. Further, regulatory requirements with respect to our products and the products of our customers are subject to change. An adverse change in the regulations governing the development of our products and their usage by our customers, including the development of licensing requirements and technical standards and specifications or the imposition of onerous requirements, may have an adverse impact on our operations. Our Company's business, prospects and results of operations have not been materially and adversely affected due to any adverse change in regulations in the last three Fiscals.</i></p> <p><i>Our Company may be required to alter our manufacturing and/or distribution process and target markets and incur capital expenditure to achieve compliance with such new regulatory requirements applicable to us and our customers. We cannot assure you that we will be able to comply with the regulatory requirements. If we fail to comply with new statutory or regulatory requirements, there could be a delay in the submission or grant of approval for manufacturing and marketing new products or we may be required to withdraw existing products from the market. Moreover, if we fail to comply with the various conditions attached to such approvals, licenses, registrations and permissions once received, the relevant regulatory body may suspend, curtail or revoke our ability to market such products and/or we may be deemed to be in breach of our arrangements with our customers. Consequently, there is an inherent risk that we may inadvertently fail to comply with such regulations, which could lead to enforced shutdowns and other sanctions imposed by the relevant authorities, as well as the withholding or delay in receipt of regulatory approvals for our new products, which may adversely impact our business, results of operations and financial condition."</i></p> <p>Risk factor 26 shall be updated in the RHP in the following manner:</p> <p><i>"The geographical concentration of our manufacturing facilities may restrict our operations and adversely affect our business, results of operations and financial conditions.</i></p> <p><i>We currently operate through eleven manufacturing facilities spread across Tamil Nadu, Karnataka, Himachal Pradesh, Uttar Pradesh and Haryana. There are no instances in the past linked to the location of the Company's manufacturing facilities in these states, that have materially and adversely affected business and operations of the Company. However, due to the geographic concentration of our manufacturing operations, our operations are susceptible to local and regional factors, such as accidents, system failures, economic and weather conditions, natural disasters, and demographic and population changes, the outbreak of infectious diseases such as COVID-19 and other unforeseen events and circumstances. Such</i></p>

S. No.	Observation	Response
		<p><i>disruptions could result in the damage or destruction of a significant portion of our manufacturing abilities, significant delays in the transport of our products and raw materials and/or otherwise adversely affect our business, financial condition and results of operations. Further, disruptions, damage or destruction of those facilities may severely affect our ability to meet our customers’ demand and the loss of any one of our key customers or a significant reduction in demand from such customers could have an adverse effect on our business, results of operations and financial condition.”</i></p> <p>Risk factor 28 shall be updated in the RHP in the following manner:</p> <p><i>“Our failure to comply with trade restrictions such as economic sanctions and export controls could negatively impact our reputation and results of operations.</i></p> <p><i>We may be subject to trade restrictions, including economic sanctions and export controls, imposed by governments around the world with jurisdiction over our operations, which prohibit or restrict transactions involving certain designated persons and certain designated countries or territories. Our failure to successfully comply with these laws and regulations may expose us to reputational harm as well as significant sanctions, including criminal fines, imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts, and other remedial measures. Investigations of alleged violations can be expensive and disruptive. As part of our business, we may, from time to time, engage in limited sales and transactions involving certain countries that are targets of economic sanctions, provided that such sales and transactions are authorized pursuant to applicable economic sanctions laws and regulations. <i>Our Company has not been subject to, and the jurisdictions in which our Company operates have not been subject to economic sanctions, export controls or such other restrictions in the last three Fiscals and the current Fiscal.</i> However, we cannot predict the nature, scope, or effect of future regulatory requirements, including changes that may affect existing regulatory authorizations, and we cannot predict the manner in which existing laws and regulations might be administered or interpreted.</i></p> <p><i>In addition, any perceived or actual breach of compliance by us with respect to applicable laws, rules, and regulations could have a significant impact on our reputation and could cause us to lose existing customers, prevent us from obtaining new customers, negatively impact investor sentiment about our Company, require us to expend significant funds to remedy problems caused by violations and to avert further violations, and expose us to legal risk and potential liability, all of which may have a material adverse effect on our reputation, business, financial condition, and results of operations.”</i></p>

S. No.	Observation	Response
		<p>Risk factor 30 shall be updated in the RHP in the following manner:</p> <p><i>“Our indebtedness and the conditions and restrictions imposed on us by our financing agreements could adversely affect our ability to conduct our business.</i>”</p> <p><i>As on June 30, 2021, we had total outstanding indebtedness of ₹ 515.97 million. Further, based on our Proforma Condensed Combined Financial Information, as on June 30, 2021, we had total proforma outstanding indebtedness of ₹ 1,016.61 million. We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:</i></p> <ul style="list-style-type: none"> • <i>a portion of our cash flow will be used towards repayment of our existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;</i> • <i>our ability to obtain additional financing in the future at reasonable terms may be restricted;</i> • <i>fluctuations in market interest rates may affect the cost of our borrowings, as some of our loans are at variable interest rates;</i> • <i>we may not be able to obtain further financing at optimal costs, and</i> • <i>we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.</i> <p><i>Our financing arrangements are secured by our present and future current assets and our movable and immovable fixed assets, and the personal guarantees of our Promoters. Our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Typically, restrictive covenants under financing documents of our Company relate to obtaining prior consent of the lender for, among others:</i></p> <ul style="list-style-type: none"> • <i>Effectuating any change in our shareholding pattern.</i> • <i>Effectuating any change in the management or control of our Company.</i> • <i>Diluting the promoter’s stake from present levels.</i> • <i>Making any changes in the memorandum and articles of our Company.</i> • <i>Opening bank accounts with banks other than the lender bank.</i>

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		<ul style="list-style-type: none"> • <i>Effectuating any change in the constitution of our Company.</i> <p><i>For further details of the restrictive covenants under financing documents of our Company, see “Financial Indebtedness” on page 599. As on the date of this Draft Red Herring Prospectus, we have made applications for obtaining consents from our lenders to permit the Offer. However, we are yet to receive this consent from one of our lenders. While our Company intends to obtain the necessary consents in relation to the Offer from such lender(s) prior to the filing of the Red Herring Prospectus with the RoC, undertaking the Offer without obtaining such lender consents would be in contravention of the conditions contained in the financing agreement entered into with them and would constitute a default under this agreement. Further, there have been no breach of the conditions and restrictions imposed on our Company under its financing arrangements that have resulted in a material adverse effect on our Company’s business, operations and financial condition in the last three Fiscals and the current Fiscal. In addition, the conditions and restrictions imposed on our Company under its financing arrangements have not restricted the Company’s business and operations in a manner that resulted in a material adverse effect on the Company, in the last three Fiscals. However, going forward, any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross-default provisions under certain of our other financing agreements, and may materially and adversely affect our ability to conduct our business and operations or implement our business plans.</i></p> <p><i>Further, any failure to service our indebtedness, perform any condition or covenant or comply with the restrictive covenants could lead to a termination of our credit facilities, default and acceleration of amounts due under such facilities, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.”</i></p> <p>Risk factor 33 shall be updated in the RHP in the following manner:</p> <p><i>“Employee misconduct could harm us and is difficult to detect and deter.</i></p> <p><i>Although we closely monitor our employees, misconduct, including acts of theft and fraud by employees or executives, such acts could include binding us to transactions that exceed authorized limits or present unacceptable risks or they may hide unauthorized or unlawful activities from us, which may result in substantial financial losses and damage to our reputation and loss of business from our customers.</i></p>

S. No.	Observation	Response
		<p><i>Employee or executive misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm, including harm to our brand. There have been no instances of fraud or theft by the employees of our Company in their capacity as an employee of our Company, in the last three Fiscals and the current Fiscal. However, it is not always possible to deter employee or executive misconduct and the precautions taken and systems put in place to prevent and detect such activities may not be effective in all cases. Any instances of such misconduct could adversely affect our reputation.</i></p> <p>Risk factor 34 shall be updated in the RHP in the following manner:</p> <p><i>“If we fail to maintain an effective system of internal controls, we may not be able to successfully manage, or accurately report, our financial risks.</i></p> <p><i>Effective internal controls are necessary for us to prepare reliable financial reports and effectively avoid fraud. Moreover, any internal controls that we may implement, or our level of compliance with such controls, may deteriorate over time, due to evolving business conditions. There can be no assurance that deficiencies in our internal controls will not arise in the future, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such deficiencies in our internal controls. For further details, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Quantitative and qualitative analysis of financial risks” on page 589. There have been no instances where the internal controls of the Company were ascertained to be inadequate by the Statutory Auditors in the last three Fiscals. However, any inability on our part to adequately detect, rectify or mitigate any such deficiencies in our internal controls may adversely impact our ability to accurately report, or successfully manage, our financial risks, and to avoid fraud.</i></p> <p>Accordingly, we undertake to amend the said Risk Factors in the RHP as mentioned above.</p>
(q)	<p>Risk Factor 25, 27 and 31: LM is advised to reassess inclusion of these risk factors.</p>	<p>In Risk Factor 25, the Company intends to elaborate the risks associated with their potential failure to maintain their quality accreditations. Considering the nature of this risk and the exposure of the Company to potential risks arising in this regard in the future, we have included details of the possible risk, along with the potential instances in the future that may impact the Company in this regard.</p> <p>Further, in respect of Risk Factor 27, considering that potential investors in the Company may decide to invest in the Company based on the growth in its revenue as reflected in the Restated Financial Information,</p>

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		<p>the Company intends to highlight the potential risk of the Company not being able to maintain its growth in the future. Considering the nature of this risk, the Company has included details of the possible risk, along with the potential instances in the future that may impact the Company in this regard.</p> <p>In addition, the Company intends to elaborate the risks associated with any potential joint ventures it may be a party to, through Risk Factor 31, in light of the Company’s growth strategies. Considering the nature of this risk and the exposure of the Company to potential risks arising in this regard in the future, the Company has included details of the possible risk, along with the potential instances in the future that may impact the Company in this regard.</p> <p>Further, please note that, in compliance with Paragraph (5)(C)(3) of Schedule VI of the SEBI ICDR Regulations, the Company has sought to include details of risks that may not have material impact at present (which include these risk factors), but may have a material impact in the future.</p>
(r)	<p>Risk Factor 43: The reply provided is not acceptable. Considering the same, this aspect needs to be relooked and proper justification needs to be provided.</p>	<p>We acknowledge that the absence of registration of the lease deeds pertaining to the Company’s properties under the Registration Act, 1908, may result in the Company and / or its Subsidiaries being non-compliant with applicable statutes or regulations of the states in which such properties are situated. Accordingly, the Company confirms that it shall, going forward endeavor to, on a best-efforts basis, procure such registration for its lease deeds.</p> <p>Accordingly, Risk Factor 43 shall be updated in the RHP in the following manner:</p> <p><i>“The land and premises for our manufacturing facilities are held by us on lease or leave and license or tenancy agreements which subject us to certain risks.</i></p> <p><i>Most of our manufacturing facilities are on premises that have been leased by us from third parties through lease or leave and license or tenancy arrangements. For further details, see “Our Business – Our Manufacturing Facilities” on page 196. Upon expiration of the relevant agreement for each such premise, we will be required to negotiate the terms and conditions on which the lease agreement may be renewed. We cannot assure you that we will be able to renew these agreements on commercially reasonable terms in a timely manner, or at all.</i></p> <p><i>Termination of our leases may occur for reasons beyond our control, such as breaches of lease agreements by the landlords of our premises which is detrimental to our operations. If we, our current or future landlords</i></p>



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		<p><i>breach the lease agreements, we may have to relocate to alternative premises or shut down our operations at that site. Once we obtain a lease, we incur significant expenses to install necessary furniture, fittings, machinery, lighting, security systems and air conditioning, to ensure such unit is designed in line with our requirements. Relocation of any part of our operations may cause disruptions to our business and may require significant expenditure, and we cannot assure you that in such a case, we will be able to find suitable premises on commercially reasonable terms in a timely manner, if at all or we may have to pay significantly higher rent or incur additional expenses towards interiors. Occurrence of any of these factors may materially and adversely affect our business, financial condition and results of operations.</i></p> <p><i>Certain of our lease agreements for our manufacturing facilities contain restrictive covenants, including but not limited to, requirements that we obtain consent from the lessor, which is typically the industrial development authority, prior to undertaking certain matters including changing the name and style under which we are doing business. For instance, by way of a letter in November 2021, we sought consent from Development Commissioner, Madras Export Processing Zone, Special Economic Zone for change in name of the Company pursuant to the conversion of the company to a public limited company, pursuant to the Offer. As on date, no response has been received from the authority within the time frame set out by us in our letter to them. While we believe that we have taken adequate steps to seek their consent, we cannot assure that such authorities will not take any adverse action against us under the terms of their respective lease agreements.</i></p> <p><i>Further, some of our lease deeds for our properties may not be registered and further some of our lease deeds may not be adequately stamped and consequently, may not be accepted as evidence in a court of law and we may be required to pay penalties for inadequate stamp duty. The absence of registration of the lease deeds pertaining to our properties under the Registration Act, 1908, may result in our Company and / or our Subsidiaries being non-compliant with applicable statutes or regulations of the states in which such properties are situated. We shall, going forward, endeavour to arrange for the registration of such lease deeds. Further, we may not be able to assess or identify all risks and liabilities associated with any properties, such as faulty or disputed title, unregistered encumbrances or adverse possession rights, improperly executed, unregistered or insufficiently stamped instruments, or other defects that we may not be aware of.</i></p> <p><i>In the event that these existing leases are terminated or they are not renewed on commercially acceptable terms or at all, we may suffer a disruption in our operations. If alternative premises are not available at the</i></p>



S. No.	Observation	Response
		<i>same or similar costs, size or locations, our business, financial condition and results of operations may be adversely affected."</i>
3. General Clarifications		
(a)	Key performance indicators needs to be disclosed upto three years after the listing as has been disclosed in the similar fashion in the DRHP. The same may be discontinued, thereafter, with the approval of the shareholders.	Noted for compliance. Based on the confirmation received from the Company, we confirm that the Company shall provide this information on an annual basis for up to three years, following the listing of its Equity Shares, on the basis of its consolidated financial statements. Further, the Company has confirmed that it shall seek the approval of its Shareholders to discontinue such disclosures following this period, if they intend to do so.
(b)	<u>Section on Corporate Governance:</u> LM is advised to confirm whether the Company is in compliance with SEBI Listing Regulations for Corporate Governance including constitution of the Board and Board committees of the Company. If answer is no, then the above statement may be appropriately modified to state that the Company is not in compliance with the board composition requirements based on market capitalization, which may or may not be applicable to it post-listing.	We confirm that the Company is in compliance with the requirements of the applicable requirements for corporate governance in accordance with the SEBI Listing Regulations, and the Companies Act, 2013, pertaining to the constitution of the Board and committees thereof.