

# IPO Note

July 07, 2026

**Kusumgar Limited**

SELL BULLMARKET  
BROKER OFFERING  
COMPANY STOCK  
GROWTH STOCK  
UNDER WRITER IPO PROCESS  
FLOW SHARES PROFIT  
VALUE LARGE  
TRADING MARKET DISCOUNT  
PRICE VENTURE  
CAPITAL PERIOD  
INVESTOR  
MONEY SELLING  
PUBLIC OFFERING  
UNDER PRICING  
OPPORTUNITY  
SECURITY  
FIRST



**Issue Snapshot:**

Issue Open: July 08 – July 10, 2026

Price Band: Rs. 398 –419 (Discount of Rs 39 for all eligible employees)

\*Issue Size: Up to Rs 650.0 cr (Entirely Offer for Sale)

Reservation for:

QIB	upto	50% eq sh
Non-Institutional	atleast	15% eq sh
((including 1/3 <sup>rd</sup> for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	upto	35% eq sh

Face Value: Rs 1

Book value: Rs 49.56 (March 31, 2026)

Bid size: - 35 equity shares and in multiples thereof

100% Book built Issue

**Capital Structure:**

Pre Issue Equity:	Rs. 10.50 cr
*Post issue Equity:	Rs. 10.50 cr

Listing: BSE & NSE

Book Running Lead Manager: Axis Capital Limited, IIFL Capital Services, Motilal Oswal Investment Advisors Limited

Sponsor Bank: HDFC Bank Ltd and ICICI Bank Ltd

Registrar to issue Bigshare Services Private Limited.

**Shareholding Pattern**

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	90.48	75.70
Public	9.52	24.30
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\*=assuming issue subscribed at higher band  
Source for this Note: RHP

**Background & Operations:**

Kusumgar Limited (KL) is a manufacturer of woven, coated, and laminated synthetic fabrics, collectively referred to as engineered fabrics. The company specializes in polyamide and polyester filament-based products combined with polyurethane chemistry to meet high-performance requirements across industries. Its core capabilities lie in delivering fabrics with critical performance attributes such as tensile strength, tear resistance, abrasion durability, comfort, air permeability, and waterproofing. Leveraging strong process knowledge and product development expertise, KL has developed over 1,000 unique stock keeping units (SKUs) as of March 31, 2026, establishing a niche in synthetic functional and performance fabrics. These offerings cater to sectors including aerospace and defence, industrial and automotive, and outdoor and lifestyle applications.

The engineered fabrics industry demands precision manufacturing and advanced technical expertise. KL utilizes its technological capabilities and strategic partnerships to address high-performance applications. The company's growth strategy is driven by export expansion, global supply chain realignments, increasing indigenization and modernization in defence, product diversification, and continuous innovation. The global engineered fabrics market has grown from US\$41.6 billion in 2019 to US\$67.8 billion in 2025 (CAGR of 8.5%) and is projected to reach US\$112.2 billion by 2030 (CAGR of 10.6%). Segment-wise, industrial and automotive accounted for 47.1% of the market in 2024, followed by outdoor and lifestyle at 31.7%, and aerospace and defence at 8.0%. By 2029, outdoor and lifestyle is expected to increase to 34.5%, while industrial and automotive may decline to 43.6%, with aerospace and defence remaining stable.

KL operates across four key segments: (i) Aerospace and Defence Fabrics; (ii) Aerospace and Defence Solutions; (iii) Industrial and Automotive Fabrics; and (iv) Outdoor and Lifestyle Fabrics, all characterized by high entry barriers.

**Aerospace and Defence Fabrics:** This segment involves manufacturing fabrics that meet stringent technical specifications required for defence and aerospace applications. KL collaborates closely with end-users to develop customized solutions optimized for strength-to-weight ratio, durability, and performance. The company supplies fabrics for parachutes and aerial systems, tactical gear, and stealth and rapid deployment systems, serving both domestic government clients and international markets.

**Aerospace and Defence Solutions:** Building on its fabric expertise, KL has expanded into end-product manufacturing. This includes (i) aerial systems such as parachutes, (ii) stealth systems including camouflage nets, and (iii) rapid deployment systems like decoys and shelters. The company also undertakes maintenance and repair service contracts, enhancing its value proposition.

**Industrial and Automotive Fabrics:** KL produces specialized fabrics for industrial applications, including automotive uses. This segment is categorized into (i) tapes, (ii) custom fabric solutions, (iii) mechanical rubber goods (MRG) fabrics, and (iv) inflatable fabrics, addressing diverse industrial requirements.

**Outdoor and Lifestyle Fabrics:** This segment caters to global demand for performance wear and personal gear. Products include fabrics for activewear, winter wear, rainwear, and fashion garments, as well as materials for backpacks, luggage, tents, and sleeping bags. Global brands nominate KL as a preferred fabric supplier for their manufacturing partners.

KL serves both government entities and private integrators involved in delivering aerospace and defence solutions. Its vertically integrated operations—spanning preparatory processes, weaving, dyeing, printing, finishing, coating, lamination, and fabrication—are supported by



six manufacturing facilities in Gujarat and one fabrication unit in Uttar Pradesh. This integration enables superior quality control and efficient delivery.

#### Objects of Issue:

The Offer comprises an Offer for Sale by the Promoter Selling Shareholders. The objects of the Offer are to (i) carry out the Offer for Sale of face value of Rs. 1 each aggregating up to Rs.6,500 million by the Promoter Selling Shareholders; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges. The Company expects that listing of the Equity Shares will enhance its visibility and brand and provide liquidity to its existing Shareholders.

#### Competitive Strengths

**Operate in markets with high entry barriers:** KL has developed and manufactured over 1,000 unique engineered fabrics since 1970, operating in an industry characterised by high entry barriers. These barriers include (i) technical knowledge, (ii) long product approval cycles, (iii) customized solutions, (iv) partnerships with leading brands and manufacturers, (v) customer loyalty driven by life-preserving product features, and (vi) scale of manufacturing infrastructure.

A key differentiator for KL is its advanced technical expertise and manufacturing know-how, which make it difficult for competitors to replicate its products. The company's strengths include the production of lightweight fabrics using fine denier yarns, the ability to process Nylon 6 and Nylon 66, complex fabric engineering, advanced coating and lamination capabilities, and a fully integrated value chain. Developing such capabilities requires significant time and investment, creating a strong competitive moat.

Long product approval cycles further reinforce this advantage, particularly in defence and aerospace applications, where development and adoption can take two to ten years. These extended timelines allow KL to embed itself deeply in customer specifications, making substitution challenging. Similar qualification processes in industrial and automotive applications enhance business stability.

KL's ability to deliver customized, application-specific solutions strengthens customer relationships and reduces switching tendencies. This is particularly critical in products with life-preserving features, such as parachutes, bulletproof jackets, and extreme weather gear, where reliability is essential and trust leads to long-term customer loyalty.

Additionally, the company benefits from strategic partnerships with global brands and technology providers, including access to proprietary technologies. Its scale, infrastructure, and certifications further position it to meet stringent requirements, especially for government and defence contracts.

**Technical capabilities allow to develop and supply unique solutions for customers:** KL specializes in engineered synthetic fabrics designed for high-performance applications across aerospace and defence, industrial, and outdoor sectors. The company focuses on functional textiles using polyamide and polyester filaments along with polyurethane chemistry, enabling it to meet demanding operational requirements. Its capabilities are supported by an integrated value chain, allowing control from yarn selection to final fabrication, ensuring consistency, traceability, and cost efficiency.

**Light fabrics made of fine denier yarns:** KL has developed advanced fine denier weaving techniques, including optimized warping and sizing to manage yarn tension. Electronic warp tension control and precise loom mechanisms reduce defects, while controlled dyeing, heat-setting, and coating preserve fabric integrity.

**Handling Nylon 6 and Nylon 66:** The company carefully manages temperature and tension during dyeing and heat-setting to ensure uniformity and prevent damage. Specialized finishing enhances crease resistance and maintains appearance, enabling consistent production quality.

**Complex fabric engineering:** KL combines expertise in yarn selection, weave structures, and finishing processes to design engineered fabrics suited for automotive, aerospace, and industrial applications.

**Coating and lamination capabilities:** Using materials such as polyurethane, TPU, silicones, and PTFE, the company produces durable, high-performance fabrics capable of withstanding extreme conditions while maintaining comfort.

**Integrated fabric value chain:** End-to-end control allows KL to optimize quality, eliminate redundancies, and scale efficiently without reliance on intermediaries.



Leveraging these strengths, KL delivers specialized solutions such as ultra-light parachute fabrics (0.75 oz/yd<sup>2</sup>), infrared reflective textiles, extreme cold-weather fabrics, and multi-spectral camouflage systems.

**Diversified presence across multiple end-use segments, each of which has independent growth drivers:** KL manufacture products primarily for four diverse market segments: (i) Aerospace and Defence Fabrics; (ii) Aerospace and Defence Solutions; (iii) Industrial and Automotive Fabrics; and (iv) Outdoor and Lifestyle Fabrics. The following table sets forth its revenue from contracts with customers from its four primary market segments and from sales falling outside those market segments for the fiscal years indicated.

Particulars	2026		2025		2024	
	Rs in million	% of revenue from contracts with customers	Rs in million	% of revenue from contracts with customers	Rs in million	% of revenue from contracts with customers
Aerospace and Defence Fabrics	2,136.99	31.67%	3,700.92	48.06%	3,134.88	68.79%
Aerospace and Defence Solutions	1,550.17	22.97%	2,219.02	28.81%	8.64	0.19%
Industrial and Automotive Fabrics	1,648.60	24.43%	1,126.34	14.63%	1,113.86	24.44%
Outdoor and Lifestyle Fabrics	1,253.15	18.57%	569.00	7.39%	291.65	6.40%
Other Sales(1)	159.23	2.36%	85.67	1.11%	7.92	0.17%
Revenue from contracts with customers	6,748.14	100.00%	7,700.95	100.00%	4,556.94	100.00%

(1) Revenue from other sales includes revenue from the sale of yarn and chemicals, revenue from job work undertaken for customers, as well as revenue from the sale of products and services outside of four primary market segments.

**Long-standing relationships with key customers:** KL has long-standing relationships with its key customers, which allows KL to increase its wallet share. In Fiscal 2026, its top six customers accounted for Rs.3,330.34 million, or 49.35%, of its revenue from contracts with customers.

**Track record has given access to technology and markets through partnerships:** KL has built strategic partnerships that strengthen its competitive positioning and create durable business moats by ensuring a steady pipeline of opportunities. These collaborations often originate from high-trust engagements with government and global partners. For instance, the company was selected by an Indian government customer to develop fabric for 90-litre rucksacks, and after extensive design and testing, it secured the full order. In another case, its relationship with a U.S.-based airborne solutions company has evolved into a licensed manufacturing partnership, supplying products to Indian government clients. Such engagements highlight KL's ability to convert long-term collaboration into scalable commercial outcomes.

Through licensing and co-development agreements, the company gains access to proprietary technologies and specialized expertise, accelerating innovation and enabling participation in complex, global programs. These partnerships enhance KL's credibility with both government and private sector clients, unlocking access to high-value tenders that may otherwise remain inaccessible. By integrating its fabrics into partners' design architectures, the company embeds itself deeply within product ecosystems, creating long-term demand and increasing switching barriers. Additionally, its partnership network functions as an early signal system for emerging requirements, allowing faster response compared to global competitors. However, these relationships also carry obligations, as any breach of confidentiality or intellectual property agreements could result in financial liabilities.

**Experienced and visionary Promoters supported by a professional management team:** KL is led by an experienced management team with deep domain expertise in technical textiles and operations. Promoter Yogesh Kantilal Kusumgar brings over 25 years of industry experience, while Siddharth Yogesh Kusumgar, Chairman and Managing Director, also has over 25 years in technical textiles. Sapna Siddharth Kusumgar, Joint Managing Director, contributes over 20 years of experience across human resources, administration, and textiles. The leadership team is supported by Ankur Kothari, Executive Director and CEO with over 15 years of consulting and operational experience, along with senior professionals in operations and product development.

The company fosters a culture centered on innovation, quality, and continuous improvement. KL recruits skilled technical talent and invests in advanced technologies such as coated fabrics, high-performance laminates, and specialized weaving. Its innovation capabilities are reflected in products like extreme cold weather systems, parachutes, rainwear, and military-grade textiles. Strong process controls and monitoring systems ensure consistent manufacturing quality.



### Business Strategy:

**Continue to follow a “build, retain, extend” framework with respect to the aerospace and defence business:** KL aims to expand its aerospace and defence business through a “build, retain, and extend” strategy—developing customized solutions for specific clients, strengthening long-term relationships through continuous innovation, and leveraging its expertise to serve a broader customer base. This approach is supported by strong growth in both global and domestic markets. The global engineered fabrics market for aerospace and defence increased from US\$3.4 billion in 2019 to US\$5.4 billion in 2025 (CAGR 8.0%) and is projected to reach US\$8.7 billion by 2030 (CAGR 10.0%). In India, the market grew from Rs.22.8 billion in FY2020 to Rs.50.0 billion in FY2025 (CAGR 17.0%) and is expected to reach Rs.124.4 billion by FY2030 (CAGR 20.0%).

Growth in India is driven by government policies favoring domestic defence procurement, while global demand is supported by rising defence spending, geopolitical factors, and supply chain diversification strategies such as “China + 1.” KL has strengthened its international presence through sales teams and representatives across Europe, the Middle East, and North America. The company is among the key global players in military parachute fabrics outside the United States and China and is well-positioned to increase market share. Military parachutes account for a significant share of the market—52.0% in India and 60.0% globally—and are expected to grow at strong CAGRs of 25.5% (India) and 11.8% (global) through 2030.

Beyond fabrics, KL is expanding into aerospace and defence systems, including parachutes and camouflage solutions, with existing domestic orders. The company is also exploring adjacent applications such as paragliders, aerostats, sails, and balloons, while building global partnerships to distribute high-value products like decoys, shelters, and camouflage nets.

**Continue to work closely with global brands to grow Outdoor and Lifestyle Fabrics business:** KL’s Outdoor and Lifestyle Fabrics segment serves applications such as activewear, luggage, and backpacks, supported by strong global demand. The global engineered fabric market for these applications grew from US\$13.9 billion in 2019 to US\$20.0 billion in 2025 (CAGR 7.5%) and is projected to reach US\$36.0 billion by 2030 (CAGR 12.5%). India is emerging as a key sourcing hub as brands shift supply chains away from China and Taiwan under the “China +1” strategy, driven by rising domestic demand and supply chain diversification.

The company’s expertise in high-performance, durable, and lightweight materials positions it well to benefit from increasing demand in both activewear and hardlines such as luggage and backpacks. KL has secured approvals from leading global brands, including Decathlon, and supplies materials to designated fabricators while directly negotiating pricing, strengthening its commercial leverage. With limited domestic competition in engineered fabrics, the company is well-placed to expand market share and deepen relationships with existing customers.

Additionally, India’s export advantage is reinforced by demand from regions such as Bangladesh, Vietnam, Sri Lanka, and parts of Africa, which lack sufficient manufacturing capacity for engineered outdoor fabrics, further supporting KL’s growth trajectory.

**Steadily grow Industrial and Automotive Fabrics business by increasing wallet share and providing customized solutions:** KL aims to drive steady growth in its Industrial and Automotive Fabrics segment by leveraging long qualification and approval cycles, which enhance customer stickiness and ensure business stability. The company focuses on highly customised SKUs tailored to specific industries and prioritizes customers with lower price sensitivity to maintain margin stability. In FY2026, exports contributed Rs.1,091.61 million, accounting for 66.21% of segment revenue, highlighting strong global integration and cost competitiveness versus Western peers, despite exposure to export-related risks such as tariffs.

The Company operates across multiple sub-segments. In the tapes business, it serves as a third- and fourth-tier supplier to automotive OEMs and works with leading players in footwear, leather, and electrical insulation, while expanding into medical tapes through customized solutions. In mechanical rubber goods, the company supplies hoses domestically with plans for global expansion and holds a strong position in heddle belts and spindle tapes, while exploring additional niche applications.

In inflatables, a market dominated by few global players, KL is building coating and lamination capabilities alongside its base fabric expertise to address demand for alternative suppliers, particularly in aerospace applications. Its base fabrics are already supplied to global coaters and laminators. In coated and laminated fabrics, KL is well-positioned to capture market share from European and American incumbents through competitive pricing, despite long development cycles.

**Continue to focus on manufacturing products and solutions with high gross margins and high entry barriers to continue to drive profitable growth:** KL focuses on high-margin products such as aerospace and defence fabrics, custom industrial textiles, parachute solutions, and offerings based on Nylon 6 and Nylon 66, which contribute significantly to its strong profitability profile. These product segments, characterized by technical complexity and high entry barriers, support superior gross margins and reinforce pricing power.



As a result, the company reported the highest EBITDA margins among its listed peers in India for FY2026, FY2025, and FY2024 (source: 1Lattice Report), reflecting efficient operations, disciplined cost management, and strong market positioning. It intends to sustain this performance by prioritizing high-value, differentiated products that drive consistent and profitable growth.

**Continue to invest in capabilities and people to support growth, research and development, and efficiency improvement:** KL plans to strengthen its growth trajectory by continuously investing in talent, technology, and research capabilities. The company is focused on hiring industry and product specialists while fostering a culture of continuous improvement and innovation. This integration of new expertise with existing teams is expected to enhance research and development outcomes, enabling the creation of new products, advancement in product-specific technologies, and improved conversion rates.

To improve operational efficiency, KL adopts a hybrid model by outsourcing non-differentiated processes such as weaving, knitting, finishing, and fabrication where economically viable. This approach allows the company to optimize asset utilization while focusing internal resources on high-value activities. Simultaneously, KL is upgrading machinery to advanced technologies and increasing automation to enhance productivity and reduce manual inefficiencies.

A key focus area is cost optimization through close monitoring of Overall Equipment Effectiveness (OEE), which evaluates equipment performance based on availability, efficiency, and quality. By tracking and improving OEE, the company identifies inefficiencies, increases productive output, and drives profitability. Additionally, KL benefits from various central and state government incentive schemes, including support for interest costs, capital investments, and power tariffs, further strengthening its cost structure and operational competitiveness.

## Industry Overview

### Macroeconomic Overview and Global Economic Outlook

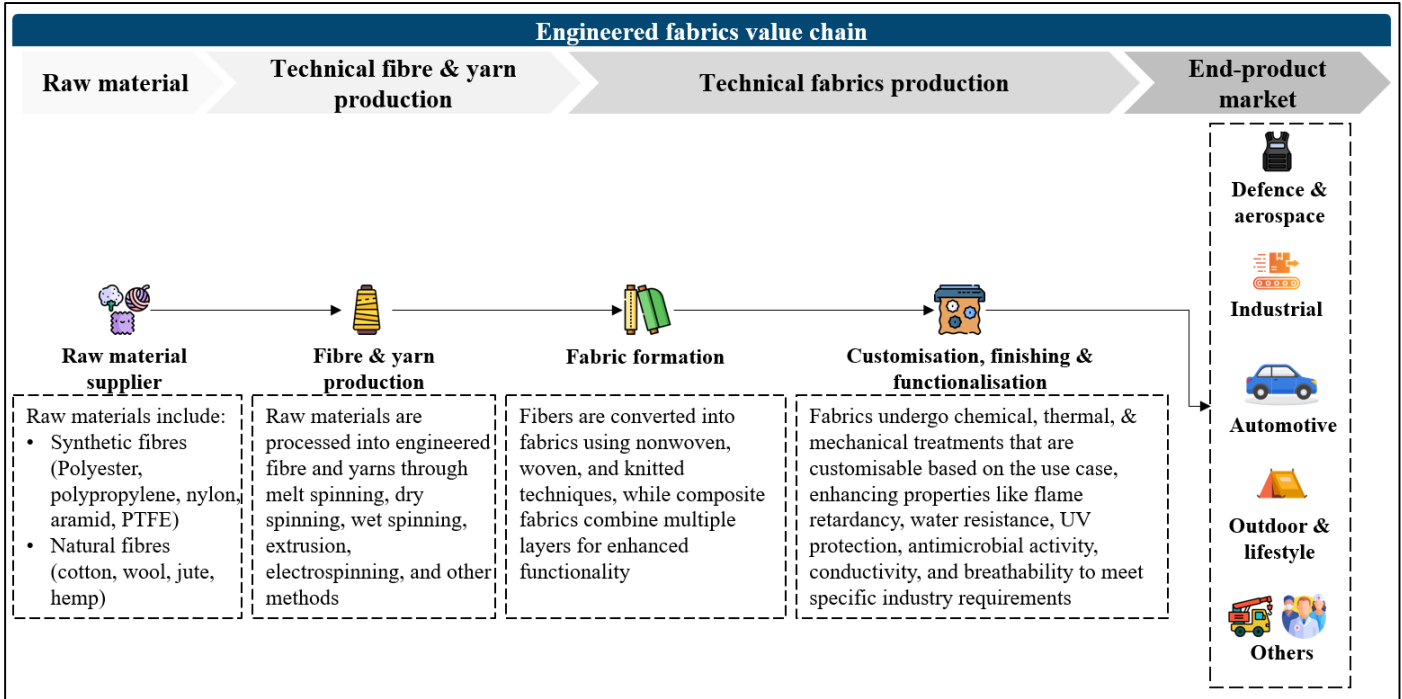
The global economy has continued to navigate through tightening financial conditions and high-interest rates, marking a real GDP growth rate of 3.4% in 2025. Despite persistent headwinds, including geopolitical tensions in Eastern Europe and the Middle East, along with strained US-China trade relations, economic resilience remains steady. Global inflation, which peaked heavily at 8.7% in 2022 due to pandemic-era supply shocks and energy crises, dropped progressively to 4.1% in 2025. A temporary energy commodity price surge is anticipated to push global inflation to 4.4% in 2026, after which it is projected to enter a disinflationary path, stabilizing between 3.2% and 3.4% by 2028–2030. Amid this global landscape, the total world GDP at current prices has expanded from US\$ 88.5 trillion in 2019 to US\$ 118.2 trillion in 2025, and it is expected to reach US\$ 151.4 trillion by 2030, exhibiting a compounded annual growth rate (CAGR) of 5.1% from 2019 to 2025 and an estimated 4.9% from 2025 to 2030.

### Indian Macroeconomic Environment and Sectoral Performance

India continues to sustain the highest growth trajectory among the major global economies, posting a year-on-year real GDP growth rate of 7.6% in 2025 and maintaining a long-term projection of 6.5% through 2030. The nation's nominal GDP reached US\$ 3.9 trillion in 2025 and is modeled to touch US\$ 6.2 trillion by 2030, growing at a CAGR of 7.3%. This rapid escalation is heavily powered by an expanding middle class—projected to encompass 61% of the total population (1,024.8 million people) by 2047, up from 40% (560.0 million) in 2025. India features a median age of 29.5, with its working-age population set to peak at 68.9% by 2030. Private consumer spending, representing over 60% of national GDP, is poised to eclipse US\$ 4 trillion by 2030. On the industrial side, the Gross Value Added (GVA) at constant prices for Fiscal 2026 indicates that financial, real estate, and professional services dominate with a 26.1% share, followed by agriculture at 17.7% and manufacturing at 16.2%. Domestic CPI inflation dropped sharply to 2.1% in 2025 due to a steep food price decline, but it is projected to level off at a medium-term target of 4.0% from 2027 onwards. Concurrently, India's Index of Industrial Production (IIP) rebounded significantly to 4.1% in Fiscal 2026 compared to a contracted (0.8%) in Fiscal 2020.

### Overview of the Engineered Fabrics Industry

Engineered fabrics represent a highly specialized technical subclass within advanced textiles, emphasizing targeted functional performance and extreme durability over pure aesthetic value. These application-specific textiles are designed using sophisticated synthetic polymers—primarily polyester, polypropylene, polyethylene, polyurethane, and polyamides like Nylon 6 and Nylon 66—along with high-performance aramid fibers like Kevlar and Nomex. Characterized by high tensile strength-to-weight ratios, breathability, moisture-wicking properties, chemical resistance, and thermal insulation, engineered fabrics serve safety-critical configurations across varied verticals. Key industrial domains include defense (ballistic shielding and tactical gear), aerospace (parachutes and aerostats), automotive (airbags and drive belts), healthcare (surgical drapes), and construction (geotextiles for structural stabilization). Fabric parameters are defined strictly via grams per square meter (GSM) to assess weight, and yarn denier to assess thickness, allowing manufacturers to decrease yarn denier to deliver ultra-lightweight variations without compromising absolute structural integrity.

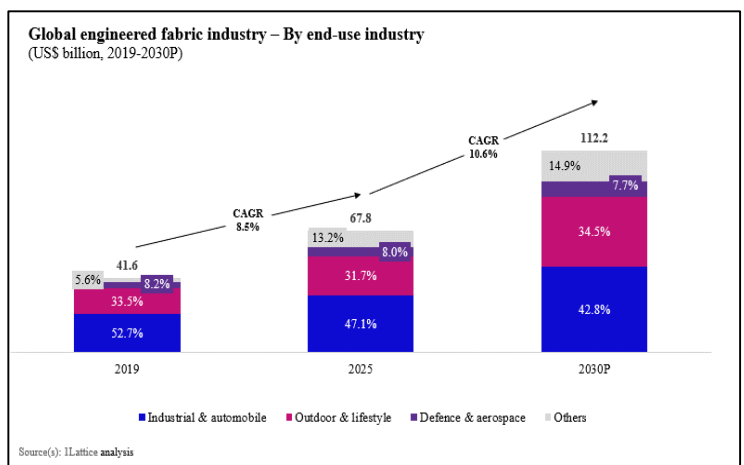
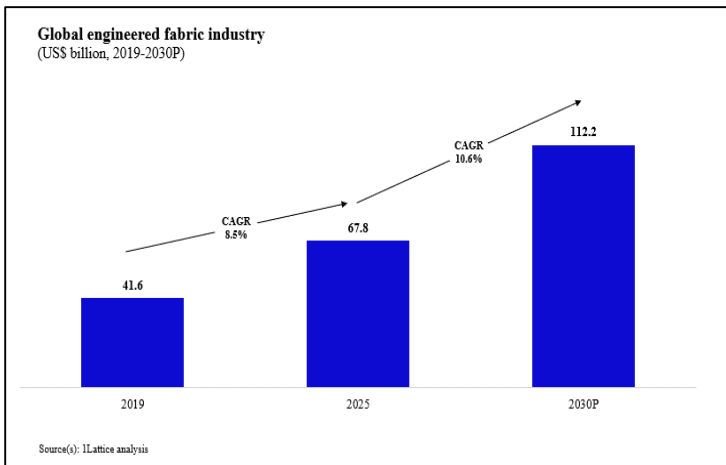


**Global Engineered Fabrics Market Architecture**

The global market footprint for engineered fabrics has scaled aggressively, jumping from US\$ 41.6 billion in 2019 to US\$ 67.8 billion in 2025, charting a CAGR of 8.5%. Backed by rising industrial customisation and smart textile integrations, the global sector is forecasted to reach US\$ 112.2 billion by 2030, accelerating at a CAGR of 10.6%. Leading worldwide participants dominating this framework include corporations such as DuPont de Nemours, Freudenberg Group, TenCate Fabrics, and Milliken and Company.

**Segmentation by End-Use Industry:** In 2025, the industrial and automotive segment commanded the largest market value portion at 47.1%, while outdoor and lifestyle accounted for 31.7%, and defense/aerospace captured 8.0%. By 2030, sector rebalancing expects outdoor/lifestyle to increase its share to 34.5%, industrial/automotive to adjust down to 42.8%, and defense/aerospace to balance at 7.7%.

**Geographic Distribution:** In terms of geography, the Asia-Pacific region leads the global theater with a 51.0% share in 2025 (climbing to 52.2% by 2030), driven by extensive manufacturing hubs in China and India. Europe and North America followed in 2025 with shares of 24.1% and 17.7% respectively, while the LAMEA region made up a smaller fraction of 7.3%.

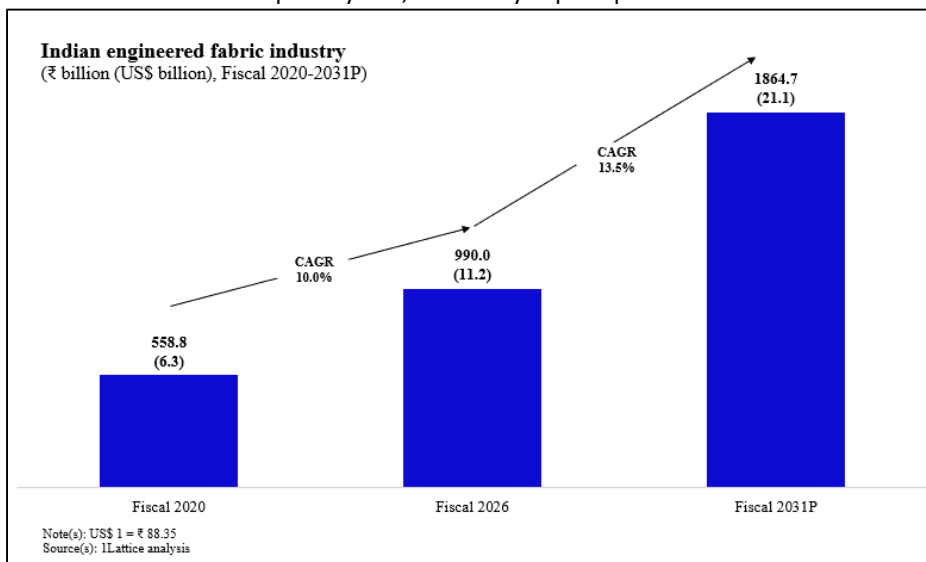


**Technical Textile Dynamics and Regulatory Shifts in India**

The Indian domestic consumption market for engineered fabrics (inclusive of imports, exclusive of exports) was valued at Rs.558.8 billion (US\$ 6.3 billion) in Fiscal 2020 and scaled up to Rs.990.0 billion (US\$ 11.2 billion) in Fiscal 2026, marking a robust CAGR of 10.0%. With a forward-looking industry momentum, this market is projected to expand to Rs.1,864.7 billion (US\$ 21.1 billion) by Fiscal 2031, representing

an estimated CAGR of 13.5%. In Fiscal 2026, the industrial and automotive applications segment heavily dominated domestic consumption with a 56.6% market share, followed by outdoor/lifestyle at 32.6% and defense/aerospace at 5.9%. By Fiscal 2031, the industrial and automotive share is projected to expand marginally to 57.8%, while defense and aerospace is expected to climb to 7.8%.

To bolster this expansion, the Ministry of Textiles has been granted an annual budget outlay of Rs.52.7 billion (US\$ 0.6 billion) in FY27, coordinating with the Bureau of Indian Standards (BIS) to form roughly 500 distinct standards for technical textile production. The central administration has also allocated 207 specific Harmonised System of Nomenclature (HSN) codes and permitted 100% FDI under the automatic route for technical textiles. Regional states are reinforcing this framework via deep financial support mechanism packages; for instance, the Gujarat Textile Policy 2024 provides capital subsidies between 10% and 35% on Eligible Fixed Capital Investments (eFCI) alongside 5% to 7% annual interest subsidies for up to 8 years, backed by explicit power tariff reliefs.



### Global and National Defense Sector Allocations

Heightened global geopolitical instability and widespread fleet modernization initiatives have heavily altered defense capital trajectories, pushing aggregate global military expenditure to an all-time high of US\$ 2.9 trillion in 2025. The United States remains the primary spender globally, recording US\$ 954.3 billion, with China tracking second at US\$ 335.5 billion, complemented by significant allocations from Russia (US\$ 190.4 billion) and Germany (US\$ 113.5 billion). Parallely, global military spending is modeled to step up at a CAGR of 5.1% between 2025 and 2030, heading toward US\$ 3.7 trillion.

Reflecting this heightened focus on military preparedness, India's defense spending rose from US\$ 71.4 billion in Fiscal 2019 to US\$ 92.0 billion in Fiscal 2025, with projections pointing to US\$ 142.13 billion by Fiscal 2030, showing a projected CAGR of 9.1%. For Fiscal 2027, the Indian Ministry of Defence received an expanded budget allocation of US\$ 88.8 billion, displaying a 7.1% year-on-year climb. These substantial monetary allocations create an immediate, locked-in domestic demand framework for indigenously manufactured tactical equipment and mission-critical engineered materials.

### Aerospace and Defense Engineered Fabrics Sub-Market

The global technical fabric sub-market tailored to aerospace and defense environments expanded from US\$ 3.4 billion in 2019 to US\$ 5.4 billion in 2025 (CAGR of 8.0%), and is projected to hit US\$ 8.7 billion by 2030, recording a 10.0% CAGR. Tactical gear dominates this global market sector with an 87.6% market value share in 2025, while specialized aerospace formats (such as parachutes, paragliders, and inflatables) hold 12.4%. Within the aerospace products segment, military parachutes command a clear majority at 61.1% in 2025, projected to expand to 63.1% by 2030.

On the domestic front, India's defense and aerospace engineered fabric market clocked an impressive 17.0% CAGR from Fiscal 2020 (Rs.22.8 billion / US\$ 0.3 billion) to Fiscal 2026 (Rs.58.5 billion / US\$ 0.7 billion). Driven by rigorous domestic sourcing mandates, it is poised to surge at a 20.0% CAGR to hit Rs.145.6 billion (US\$ 1.6 billion) by Fiscal 2031. Tactical configurations comprised 91.9% of domestic usage in Fiscal 2026. The distinct Indian aerospace fabric branch grew from Rs.1.7 billion in Fiscal 2020 to Rs.4.7 billion in Fiscal 2026, with an expectation to reach Rs.14.7 billion by Fiscal 2031 at an aggressive CAGR of 25.5%, led by military parachute configurations which hold a 52.4% share in Fiscal 2026.



### **Aerospace and Defense End-Product Solutions Sector**

Downstream from base textile fabrication lies the global aerospace and defense end-product solutions market, which encompasses built-up operational supplies like bulletproof jackets, camouflage net installations, aerostats, rucksacks, and Modular Lightweight Load-Carrying Equipment (MOLLE systems). This solutions market reached US\$ 4,734.4 million in 2024 (up from US\$ 4,250.0 million in 2019) and is guided to scale to US\$ 5,345.3 million by 2030 at a CAGR of 2.5%. Product classifications show that in 2025, rapid deployment configurations (shelters, decoys) occupied the maximum layout at US\$ 2,553.2 million, followed closely by parachute deployments at US\$ 1,520.8 million and specialized stealth networks at US\$ 660.5 million. By 2030, rapid deployment systems are targeted to reach US\$ 2,808.6 million, while parachute and stealth setups are projected to expand to US\$ 1,774.3 million and US\$ 762.1 million respectively.

### **Entry Hurdles, Technology Barriers, and Core Trends in Defense**

The technical textiles segment inside defense ecosystems functions as a highly restricted engineering layer characterized by significant entry barriers. The primary hurdle revolves around exceptionally long product-approval and qualification cycles, which typically span 2 to 10 years from the initial design phase to eventual institutional adoption by quality control departments and authorized state bodies. Setting up production plants requires navigating complex regulatory approvals, adhering to strict Quality Control Orders (QCOs), and overcoming an inconsistent ecosystem for importing core proprietary technical filaments. Furthermore, public and governmental procurement agencies enforce rigid size, historical track record, and mandatory qualification compliance parameters, which often excludes newer players due to credibility gaps.

Key design and performance parameters dictate that these fabrics exhibit excellent abrasion resistance, fire retardancy, and low structural stretch under immense load. Prominent industry trends reflect an active migration toward lightweight variants to enhance speed and fuel metrics, the usage of specialized meta-aramids for flexibility, and the integration of smart textiles, nanotechnology-enhanced armor, and self-healing adaptive polymers.

### **Industrial and Automotive Engineered Fabrics Market**

Industrial and automotive settings represent the baseline volume foundation for high-performance engineered fabrics. Globally, this segment grew from US\$ 21.9 billion in 2019 to US\$ 32.0 billion in 2025 (CAGR of 6.5%), with an expected trajectory to hit US\$ 48.0 billion by 2030 at an elevated CAGR of 8.5%. In terms of products, automobile fabrics (including critical wire harness tapes, airbags, headliners, and seat belt webs) dominated with a 55.0% global market share in 2025, while customized technical fabrics and Mechanical Rubber Goods (MRG) captured 15.6% and 14.4% respectively. Geographically, the Asia-Pacific region led the industrial segment with a 51.7% market share in 2025, followed by Europe at 23.6% and North America at 17.9%.

Domestically, India's industrial and automotive engineered fabric market grew from Rs.283.7 billion (US\$ 3.2 billion) in Fiscal 2020 to Rs.560.0 billion (US\$ 6.3 billion) in Fiscal 2026, advancing at a CAGR of 12.0%. The market is projected to reach Rs.1,078.2 billion (US\$ 12.2 billion) by Fiscal 2031, accelerating at a 14.0% CAGR. Automotive deployments lead the domestic market with a steady 51.4% share across both Fiscal 2026 and Fiscal 2031, while customized technical fabrics are expected to grow from 20.4% in Fiscal 2026 to 22.5% in Fiscal 2031.

### **Supply Chain Realignment, Import Substitution, and Industry Trends**

A structural shift is underway in the global supply chain, driven by the "China +1" strategy. Global original equipment manufacturers (OEMs) are actively diversifying their sourcing lines away from China to minimize tariff risks and enhance supply resilience, positioning India as an attractive alternative manufacturing hub. To accelerate import substitution within industrial, automotive, and defense textiles, the Indian government has leveraged a "pooled resource approach," linking top-tier academic and research bodies like IITs, CSIR laboratories, and the DRDO to drive fundamental R&D into specialty fibers like carbon and ultra-high-molecular-weight polyethylene (UHMWPE).

To improve cost competitiveness, the union budget reduced import customs duties from 7.5% to zero on specialized shuttleless equipment, specifically Rapier Looms (below 650 m/min) and Air Jet Looms (below 1,000 m/min). Concurrently, to insulate domestic producers from cheap imports, the Basic Customs Duty (BCD) on imported knitted fabrics was revised upward from "10% or 20%" to a more protective "20% or Rs.115 per kg, whichever is higher." In terms of technological trends, the market is seeing a rise in smart textiles with embedded biometric sensors, nanotechnology for flame resistance and self-cleaning, and the adoption of eco-friendly bio-based polymers to fulfill circular economy requirements.

### **Trade Headwinds and International Tariff Vulnerabilities**

Despite strong expansion indicators, Indian engineered fabric exporters face significant friction from fluid international trade regimes and tariff revisions. On July 31, 2025, the United States levied tariff structures of approximately 25% on most incoming Indian goods, effectively pushing the aggregate cumulative duty burden to 50% by late August 2025. Although a temporary interim trade arrangement was drafted



in early February 2026 to offer tariff reductions, subsequent judicial interventions by the U.S. Supreme Court invalidated the underlying IEEPA framework.

Following this, the U.S. introduced a uniform 10% import surcharge under Section 122 of the Trade Act of 1974, leaving current product-specific tariffs on Indian goods fluctuating broadly between 20% and 40%. Further complications arose on June 2, 2026, when the Office of the United States Trade Representative (USTR) advanced its Section 301 investigation findings regarding forced labor compliance across 60 economies, proposing a 12.5% ad valorem tariff layer on Indian exports. A proposed trade mechanism may allow specific volumes of Indian textiles to enter the U.S. at a reduced rate, provided they match the volume of U.S. cotton and textile inputs imported by India. These shifting trade barriers introduce lingering uncertainty, threatening to dampen international demand and complicate supply chain planning for domestic producers.

### Corporate Case Profiles within Technical Textiles

The technical textiles landscape is detailed via two relevant domestic industry corporate benchmarks outlined within the source text:  
**SMPP Limited:** Incorporated in 1985, this corporate entity specializes in the ammunition components and personal ballistic protection products space. It grew into a market leader for composite-based ballistic armor based on domestic government contract wins in Fiscal 2024, prominently executing a state contract for 186,138 bullet-resistant jackets between 2018 and 2022. The firm logged product sale revenues of Rs.5.8 billion in Fiscal 2025, charting a CAGR of ~20% from Fiscal 2021 to 2025, and is currently establishing an expansive 800-acre ammunition site.

**Garware Technical Fibres Limited:** Founded in 1976, this established enterprise manufactures high-performance fishing nets, aquaculture systems, coated fabrics, and geosynthetics. Holding a product portfolio exceeding 20,000 Stock Keeping Units (SKUs) and 28 distinct patents, the firm reached Rs.15.2 billion in operations revenue during Fiscal 2026, delivering a steady CAGR of 8.7% from Fiscal 2022 to 2026 while maintaining a recognized Four Star Export House status from the DGFT.

### Key Concerns

- KL derives a large share of revenue from a few core segments, so any slowdown in Aerospace and Defence Fabrics, Aerospace and Defence Solutions, or Industrial and Automotive Fabrics could materially hurt revenue, profitability, and cash flows; in FY2026 these three segments contributed 31.67%, 22.97%, and 24.43% of revenue from contracts with customers, respectively.
- It is exposed to customer concentration risk: the top customer contributed 11.13% of FY2026 revenue from contracts with customers, and the top 10 customers together contributed 59.52%.
- KL does not generally have long-term customer contracts, so order volumes can change quickly; it had no long-term agreements with any of its top 10 customers in FY2026, FY2025, or FY2024.
- All six manufacturing facilities are in Gujarat, so local disruption from weather, politics, natural calamities, or civil unrest could affect production and deliveries.
- KL has ongoing legal and regulatory matters, including one criminal proceeding by the Company, three tax proceedings against the Company, one material litigation against the Company involving Rs.22.30 million, and a pending insolvency petition filed by a service provider for Rs.22.30 million.
- A separate ROC matter led to penalties of Rs.0.38 million and Rs.0.35 million on the Company, certain Directors, and KMPs, which have already been paid.
- KL's operating cash flow was negative in FY2025 at Rs. 1,549.76 million, though it turned positive at Rs.282.58 million in FY2026; continued volatility could force additional debt or equity funding.
- The Company remains working-capital intensive, with a 90-day working capital cycle in FY2026 and trade receivables of Rs. 2,332.79 million, up from Rs.561.10 million in FY2025.
- Inventory also remains significant at Rs.1,948.58 million in FY2026, and inventory days rose to 103 days from 64 days in FY2025.
- KL depends heavily on a limited supplier base; the top 10 suppliers accounted for 51.42% of FY2026 material consumption, and the company does not have long-term supply contracts.



- Imported materials are material to the business: imported material consumption was Rs.1,198.93 million in FY2026, or 38.91% of total material consumption, with Taiwan alone contributing Rs.596.94 million.
- KL is exposed to tariff and trade-policy risk, especially on exports; exports were 39.99% of FY2026 revenue from contracts with customers, and the U.S. tariff burden on Indian products has risen materially versus prior levels.
- The U.S. accounted for Rs.628.03 million of FY2026 revenue, while the European Union contributed Rs.1,222.42 million; geopolitical and trade-policy changes in these markets could affect demand.
- KL faces intense competition from organized and unorganized peers in India and abroad, with pricing, technology, qualifications, quality, and delivery performance all affecting competitiveness.
- The company must continuously renew statutory approvals and permits; any delay or failure in renewals could trigger penalties or facility shutdowns.
- Manufacturing operations depend on uninterrupted machinery performance, electricity, and water; any breakdown, power cut, or water shortage could disrupt output.
- KL is exposed to capacity-utilisation risk: if demand falls or downtime rises, per-unit costs could increase and margins could weaken.
- The business is capital intensive and had total fund-based borrowings of Rs.2,858.20 million as of May 31, 2026, with covenants that restrict flexibility and could trigger defaults if breached.
- The promoters have given personal guarantees for loans outstanding of Rs.1,173.73 million as of March 31, 2026, so a repayment issue could affect both the company and promoters.
- KL's contingent liabilities were Rs.1,089.70 million as of March 31, 2026, including bank guarantees of Rs.1,038.77 million for government contracts.
- The company missed the required minimum CSR spend in FY2026, FY2025, and FY2024; unspent amounts were transferred to the CSR unspent account, but future non-compliance could trigger penalties.
- Certain historical corporate records and educational qualification documents could not be independently traced, which creates documentation and disclosure risk.
- KL's products are typically sold without long-term volume commitments, so customers can reduce, cancel, or redirect orders, leaving the company exposed to inventory overhang and demand swings.
- Interest-rate risk is high because 99.04% of total borrowings were floating-rate as of March 31, 2026, so higher rates would directly raise finance costs.
- Employee and contract-labour costs are rising, with employee benefits expense at 12.74% of revenue from operations in FY2026 and total workforce expenses at 15.76%; higher attrition or labour regulation changes could further pressure margins.
- KL relies on outsourced weaving, knitting, finishing, and fabrication for part of its output; disruptions or contractor non-compliance could interrupt supply, while the company could also face liability for contractors' environmental breaches.
- Quality and safety are critical because some products are used in high-risk settings, including armed forces; defects, recalls, claims, or adverse incidents could severely damage reputation and cash flows.
- The company is exposed to IP risk in both directions: leaked proprietary know-how could weaken its edge, and alleged infringement of third-party IP could lead to costly disputes or licensing obligations.
- KL depends on continuous innovation and R&D, but R&D spend does not guarantee commercial success; in FY2026 R&D team salaries and testing charges totaled Rs.21.31 million, and some defence products have long, uncertain development cycles.



- KL's manufacturing facilities are insured, but coverage is not complete; the company is not insured for environmental damage, terrorist acts, or loss of profits, and uninsured losses could still hurt results.
- Promoters hold 90.48% of paid-up equity share capital and will continue to exercise significant influence, which could affect governance, related-party dealings, and takeover prospects.
- The company leases all office and manufacturing premises rather than owning land, so renewal risk on leasehold rights could force relocation and disrupt operations.
- Related-party transactions remain meaningful, at Rs.780.94 million in FY2026, or 11.29% of revenue from operations, which can create conflict-of-interest and pricing concerns.
- KL's technology and IT systems are integral to operations, and cyber or system failures could disrupt production planning, inventory management, financial processing, and data security.

**Profit & Loss**

Particulars (Rs in million)	FY26	FY25	FY24
Revenue from operations	6920.0	7790.0	4679.1
Other Income	197.8	112.2	66.4
<b>Total Income</b>	<b>7117.8</b>	<b>7902.1</b>	<b>4745.5</b>
<b>Total Expenditure</b>	<b>5041.5</b>	<b>5906.1</b>	<b>3360.6</b>
Cost of materials consumed	3081.7	3713.7	2002.9
Change in inventories of finished goods and semi-finished goods	-519.1	-111.8	-232.6
Cost of service	84.5	0.0	0.0
Employee benefits expense	881.9	655.7	414.9
Other expenses	1512.7	1648.4	1175.5
<b>PBIDT</b>	<b>2076.3</b>	<b>1996.0</b>	<b>1384.9</b>
Interest	259.8	146.3	63.2
<b>PBDT</b>	<b>1816.5</b>	<b>1849.7</b>	<b>1321.7</b>
Depreciation and amortization	466.9	341.9	171.0
<b>PBT</b>	<b>1349.6</b>	<b>1507.8</b>	<b>1150.7</b>
<b>Tax (incl. DT &amp; FBT)</b>	<b>367.6</b>	<b>388.0</b>	<b>306.8</b>
Current tax	362.2	408.9	289.1
Short provision for tax relating to prior years	0.2	0.1	0.7
Deferred Tax Charge/(Benefit)	5.1	-21.0	16.9
<b>PAT</b>	<b>982.0</b>	<b>1119.9</b>	<b>844.0</b>
EPS (Rs.)	9.3	10.8	8.3
Face Value	1	1	1
OPM (%)	27.1	24.2	28.2
PATM (%)	14.2	14.4	18.0

**Balance Sheet**

Particulars (Rs in million) As at	FY26	FY25	FY24
<b>Non-current assets</b>			
Property, plant and equipment	2,356.7	1,718.6	1,367.2
Capital work-in-progress	262.6	451.9	84.3
Other intangible assets	2.9	1.3	2.2
Right of use assets	705.8	605.9	491.6
Financial assets			
<i>Investments</i>	154.2	149.7	121.8
<i>Other financial assets</i>	197.3	59.6	73.7
Non current tax assets (net)	0.0	28.2	0.0
Deferred tax assets (net)	0.8	0.6	0.0
Other non-current assets	38.3	195.5	83.1
<b>Total non-current assets</b>	<b>3,718.5</b>	<b>3,211.4</b>	<b>2,224.0</b>



<b>Current assets</b>			
Inventories	1,948.6	1,369.0	1,437.1
Financial assets			
<i>Trade receivables</i>	2,332.8	561.1	422.4
<i>Cash and cash equivalents</i>	268.3	304.9	326.8
<i>Other bank balances</i>	212.3	106.9	1,106.1
<i>Loans and advances</i>	0.0	155.7	0.0
<i>Other financial assets</i>	188.7	238.4	26.6
Other current assets	381.5	376.5	304.4
<b>Total current assets</b>	<b>5,332.2</b>	<b>3,112.6</b>	<b>3,623.4</b>
<b>Total assets</b>	<b>9,050.7</b>	<b>6,324.0</b>	<b>5,847.4</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	119.0	101.5	19.9
Other equity	4,910.5	2,476.0	1,383.7
<b>Total equity</b>	<b>5,029.5</b>	<b>2,577.5</b>	<b>1,403.6</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Financial Liabilities			
<i>Borrowings</i>	851.2	757.6	348.1
<i>Lease liabilities</i>	574.5	479.3	368.3
Deferred tax liabilities (net)	25.5	17.1	35.0
Employee benefit obligation	20.2	25.5	17.9
<b>Total non-current liabilities</b>	<b>1,471.3</b>	<b>1,279.6</b>	<b>769.2</b>
<b>Current liabilities</b>			
Financial liabilities			
<i>Borrowings</i>	1,384.6	1,707.4	417.3
<i>Lease liabilities</i>	74.3	77.6	54.4
<i>Trade payables</i>			
<i>Total outstanding dues of micro enterprises and small enterprises</i>	26.1	50.4	14.3
<i>Total outstanding dues of other than micro enterprises and small enterprises</i>	641.5	421.7	508.4
<i>Other financial liabilities</i>	117.3	104.0	1,337.3
Employee benefit obligations	1.7	9.1	5.3
Other current liabilities	148.1	96.9	1,307.9
Current tax liabilities (net)	156.3	0.0	29.7
<b>Total current liabilities</b>	<b>2,549.9</b>	<b>2,466.9</b>	<b>3,674.6</b>
<b>Total liabilities</b>	<b>4,021.2</b>	<b>3,746.5</b>	<b>4,443.8</b>
<b>Total equity and liabilities</b>	<b>9,050.7</b>	<b>6,324.0</b>	<b>5,847.4</b>

Source: Company, RHP

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murlu V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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