

Black Box Limited

Revamped Strategy to Drive Growth



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BUY @ CMP INR 649

Target: INR 826 in 24-30 months

Upside Potential: 27.3%

Revamped Strategy to Drive Growth

Business Model: Black Box offers a broad range of digital infrastructure solutions, including Connectivity Solutions, Data Center solutions, Enterprise Networking, Modern Workplace Solutions, Cybersecurity Solutions, Technology Products Solutions, and Consulting Services.

Despite muted sales growth in FY24, primarily due to delays in project execution and decision-making, Black Box is poised for its next growth phase. The company expects its pipeline to grow to \$3 billion and aims for a conversion rate of approximately 25%, up from the current 20%. Black Box has revamped its strategy by focusing on the top 300 customers and exiting less profitable long-tail customers, as they do not contribute to margin growth. Additionally, the company plans to renew its Go-To-Market strategy by adopting a matrix-based approach comprising industry verticals and product portfolio horizontals. This strategy is designed to deliver industry-specific solutions and enhance customer engagement. Consequently, we expect revenues to grow at a CAGR of 8% from ₹6,281.6 crore in FY24 to ₹7,996 crore by FY27E.

The company plans to concentrate on data centers, primarily in North America and India. With a customer base that includes major hyperscalers like Meta, Amazon, and Microsoft, which are expected to significantly invest in data center buildouts, the contribution to revenues from data centers is anticipated to be disproportionately high, growing from ₹1,256 crore to ₹1,994 crore by FY27E at a CAGR of 15%.

The Technology Products Solutions (TPS) vertical currently contributes between 12% and 13% to overall revenues and is expected to gain traction, with revenues projected to grow at a 9% CAGR from ₹758 crore to ₹982 crore by FY27E. Additionally, the consulting business is expected to supplement the overall growth trajectory, increasing from ₹106 crore to ₹112 crore by FY27E at a CAGR of 2%.

On the margin front, the company has set an ambitious target of 10% EBITDA margins, driven by improved negotiations with customers, technology vendor partners, and increased operational efficiency. We expect EBITDA and net margins to expand by 240 basis points from 6.8% to 9.2% and by 250 basis points to 4.7%, respectively.

Valuation Call: We recommend a Buy on Black Box with a target price of INR 826 (36.7X FY27 P/E), reflecting a 27.3% upside from current levels.

Industry Software

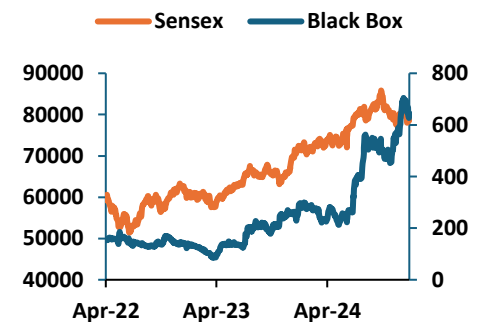
Scrip Details

Face Value (INR)	2.0
Market Cap (INR Cr)	10,856
Price (INR)	648
No of Sh O/S (Cr)	16.8
3M Avg Vol ('000)	397.5
52W H/L (INR)	716 / 210
Dividend Yield (%)	0.00

Shareholding (%) Dec 2024

Promoter	71.1
Institution	3.4
Public	25.5
TOTAL	100.0

Price Chart



Key consolidated financial data (INR Cr, unless specified)

	Net Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoCE (%)	P/E (X)	EV/EBITDA (X)
FY23	6,287.6	262.6	23.7	4.2	0.4	1.4	17.6	8.0	19.3	461.6	42.2
FY24	6,281.6	426.2	137.7	6.8	2.2	8.2	28.5	28.6	31.2	79.5	26.1
FY25E	6,391.2	545.2	238.8	8.5	3.7	14.2	42.7	33.2	34.7	45.8	19.9
FY26E	7,216.9	648.0	315.4	9.0	4.4	18.7	61.4	30.5	32.1	34.7	16.2
FY27E	7,996.0	736.8	379.0	9.2	4.7	22.5	83.9	26.8	28.6	28.9	13.7

Source: Company Reports, Ace Equity and Ventura Research

DCF valuation methodology

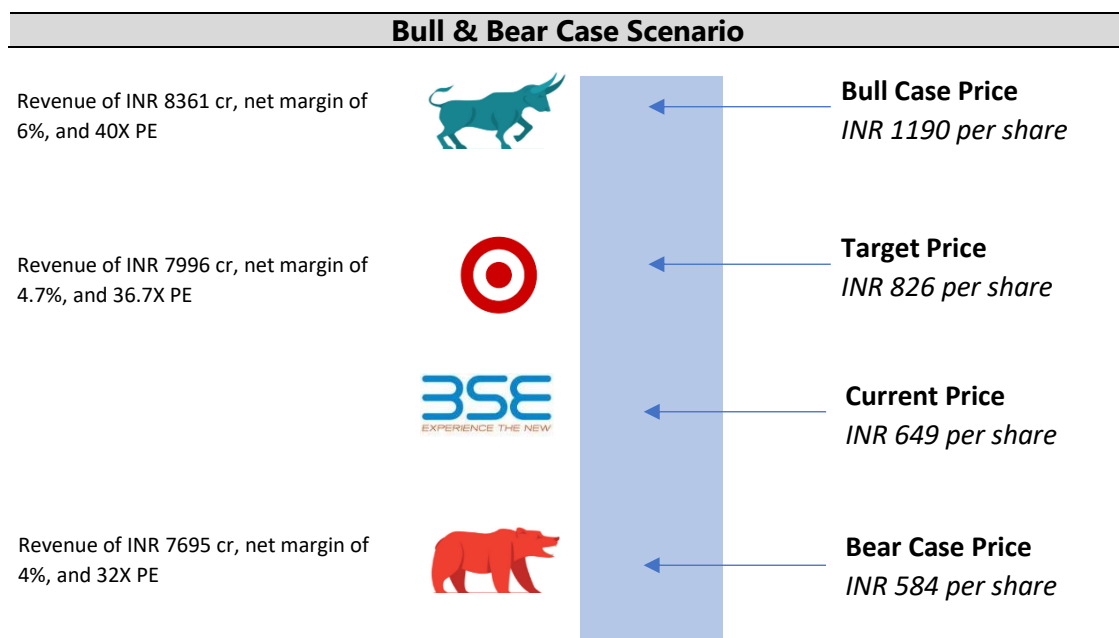
Using the DCF methodology for Black Box Ltd., we have arrived at the FY27 final valuation of INR 826 per share (36.7X FY27 P/E).

Fig in INR cr, unless specified	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
FCFF	618	712	775	848	933	1017	1111	1218	1340
Discount Factor @ 10.9% WACC	1.00	0.90	0.81	0.73	0.66	0.59	0.54	0.48	0.44
Discounted FCFF	618	641	630	621	616	605	596	589	584
Total of Discounted FCFF	5500								
Terminal Value @ 3% growth	17375								
Present Value of Terminal Value	7569								
Enterprise Value	13069								
Net Debt	-860								
Intrinsic Value	13928								
Per Share Price (INR)	826								

Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for the FY27 price, based on revenue growth, net margins, and P/E multiples.

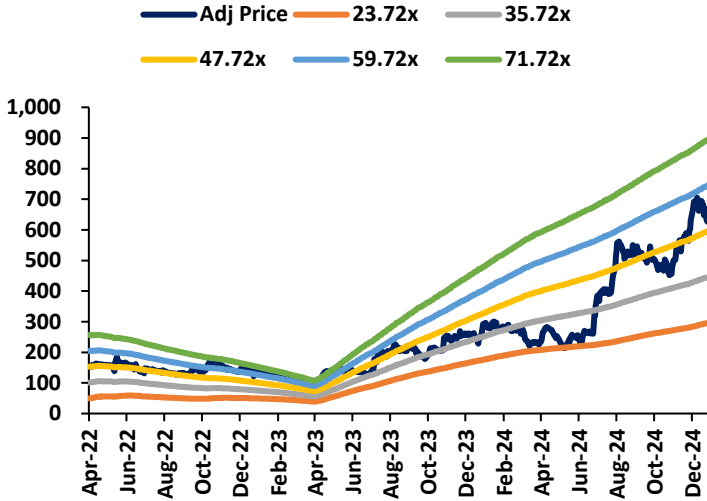
- Bull Case:** We have assumed revenue of INR 8361 cr (FY24-27E CAGR of 10%) and a net margin of 6% at a P/E of 40X, which will result in a Bull Case price target of INR 1190 per share (an upside of 83.3% from CMP).
- Bear Case:** We have assumed revenue of INR 7695 cr (FY24-27E CAGR of 7%) and a net margin of 4% at a P/E of 32X, which will result in a Bear Case price target of INR 584 per share (a downside of 10% from CMP).



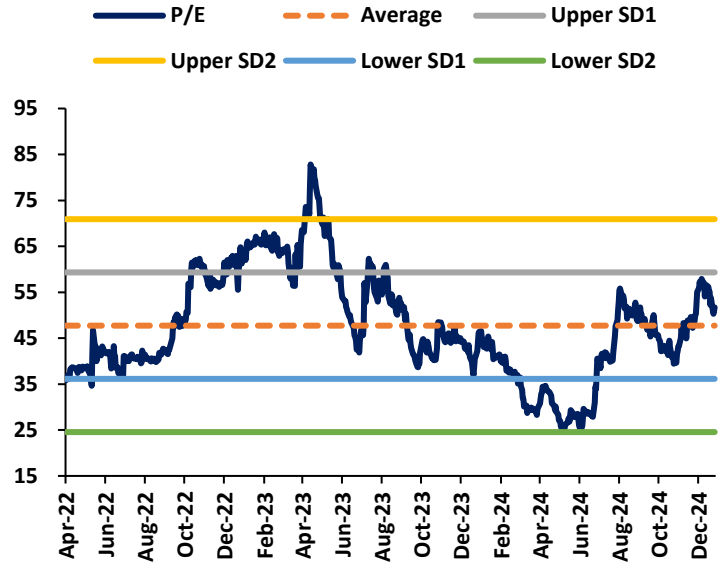
Source: BSE & Ventura Research

Strong growth outlook, improving profitability and healthy balance sheet could re-rate the valuation

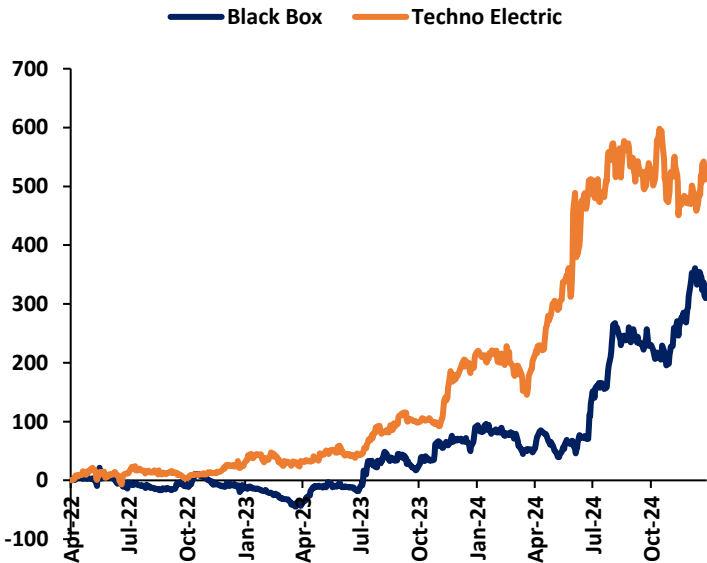
1 year forward P/E band chart



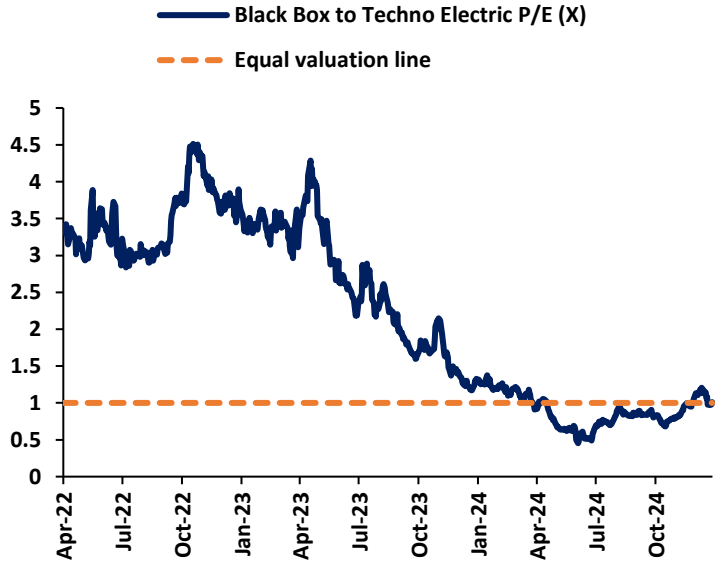
PE and its Standard Deviation



Price performance vs Techno Electric



PE trend vs Techno Electric



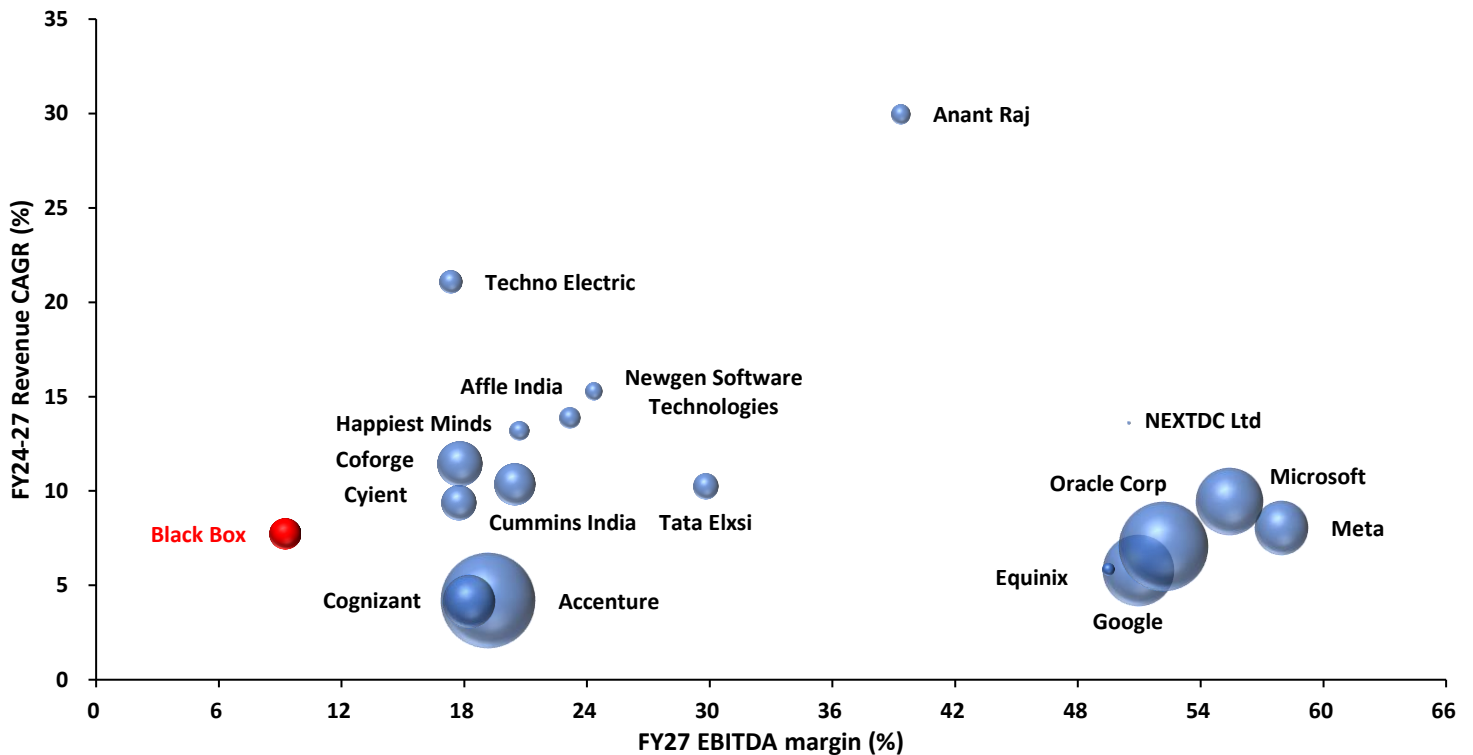
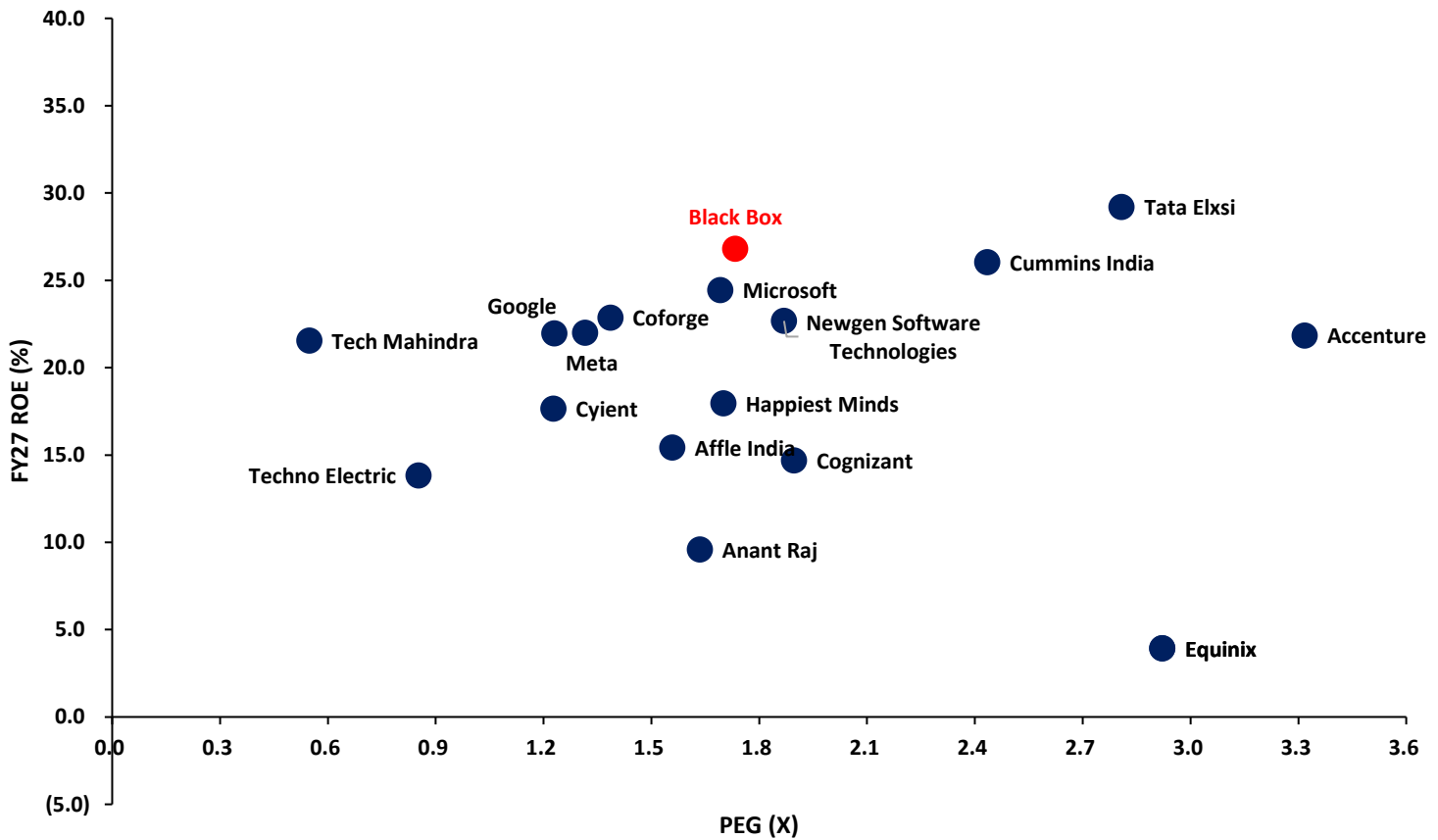
Source: Ventura Research

Valuation and comparable metrics of domestic and global companies

Company Name	Mkt Cap	Price PEG (X)	P/E (X)			EV/Sales (X)			EV/EBIDTA (X)			RoE (%)			RoC (%)			Sales			EBITDA Margin (%)			Net Margin (%)			
			2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	
Domestic Peers (fig in INR cr, unless specified)																											
Black Box	10,939	649.0	1.7	45.8	34.7	28.9	1.7	1.5	1.3	19.9	16.2	13.7	33.2	30.5	26.8	68.4	89.0	112.9	6,391	7,217	7,996	8.5	9.0	9.2	3.7	4.4	4.7
Anant Raj	29,244	855.4	1.6	128.1	96.5	50.2	21.1	14.2	9.8	81.5	44.7	25.0	5.6	5.9	9.6	11.1	14.6	19.4	1,380	2,080	3,031	25.9	31.7	39.3	16.5	14.6	19.2
Techno Electric	18,329	1,576.0	0.9	49.4	37.1	28.6	6.5	4.7	3.7	43.7	30.5	21.6	10.1	12.1	13.8	18.0	19.7	20.4	2,535	3,576	4,502	14.9	15.4	17.3	14.6	13.8	14.2
Cummins India	90,755	3,274.0	2.4	47.5	41.4	35.2	8.7	7.5	6.3	44.2	37.5	31.0	25.3	24.7	26.0	33.1	33.7	39.5	10,222	11,804	13,746	19.6	19.9	20.5	18.7	18.5	18.8
Tech Mahindra	167,001	1,706.2	0.5	39.1	29.3	23.9	3.0	2.8	2.5	22.7	17.5	14.4	14.3	18.3	21.5	22.3	30.4	38.1	53,504	57,846	63,208	13.2	15.7	17.3	8.0	9.9	11.0
Coforge	65,642	9,818.0	1.4	65.6	47.0	38.8	5.6	4.6	3.9	33.4	26.6	22.2	18.4	22.3	22.9	29.4	35.2	39.7	11,740	13,992	16,248	16.6	17.4	17.7	8.5	10.0	10.4
Happiest Minds	11,416	749.7	1.7	46.7	36.0	28.8	5.0	4.1	3.4	26.3	20.2	16.4	14.5	16.6	18.0	42.9	47.8	47.9	2,088	2,531	3,029	19.0	20.3	20.7	11.7	12.5	13.1
Tata Elxsi	43,135	6,925.6	2.8	50.2	43.6	37.4	10.6	9.1	7.8	36.9	30.7	26.1	29.6	29.5	29.2	96.6	96.7	91.4	3,905	4,528	5,236	28.6	29.5	29.8	22.0	21.9	22.0
Cyient	20,526	1,849.1	1.2	28.3	22.6	19.4	2.6	2.3	1.9	15.4	12.8	10.7	14.8	16.8	17.6	25.2	28.2	33.5	7,491	8,603	9,810	16.9	17.6	17.7	9.7	10.5	10.8
Affle India	25,253	1,798.2	1.6	66.1	52.4	41.7	10.4	8.4	6.8	50.5	37.4	29.5	13.3	14.4	15.4	26.2	32.7	38.5	2,286	2,782	3,376	20.7	22.6	23.1	16.7	17.3	17.9
Newgen Software Technologies	23,932	1,705.9	1.9	75.3	60.9	47.9	15.1	12.0	9.6	62.9	50.1	39.5	21.6	22.1	22.7	40.3	45.9	50.1	1,547	1,918	2,370	24.0	24.0	24.3	20.5	20.5	21.1
Global Peers (fig in INR cr, unless specified)																											
DXC	362	20.0	0.1	6.2	6.1	5.6	0.5	0.4	0.4	3.1	2.9	2.7	18.0	15.5	14.1	16.7	15.8	15.6	1,299	1,272	1,265	15.1	15.2	15.2	4.5	4.7	5.1
Kyndryl	804	34.6	-	33.7	17.8	10.5	0.6	0.6	0.5	3.9	3.4	2.8	7.5	11.1	13.7	10.8	12.7	16.5	1,525	1,547	1,584	16.2	17.4	18.9	1.6	2.9	4.8
Meta	149,311	591.2	1.3	22.4	20.1	17.4	7.6	6.6	5.8	14.3	11.7	10.1	29.5	26.9	22.0	46.6	47.3	36.3	18,702	21,098	23,579	53.5	56.9	58.0	35.7	35.2	36.5
Google	234,962	191.2	1.2	20.3	18.1	15.7	6.4	5.8	5.2	13.8	12.0	10.3	27.7	24.9	22.0	39.6	35.8	30.4	35,067	38,500	41,526	46.6	48.0	51.0	32.9	33.7	36.0
Microsoft	315,856	424.8	1.7	32.2	28.0	24.1	11.2	9.6	8.2	20.3	17.3	14.8	28.4	26.2	24.4	41.4	42.4	42.7	27,857	31,836	36,496	55.2	55.7	55.4	35.2	35.4	36.0
Equinix	9,031	935.9	2.9	71.0	59.2	50.9	11.2	10.3	9.6	23.6	21.4	19.5	9.5	11.3	12.3	6.7	7.7	8.3	949	1,034	1,127	47.2	48.2	49.5	13.4	14.8	15.7
NEXTDC Ltd	965	15.1	(10.8)	(172.2)	(117.0)	(148.6)	24.1	22.0	18.7	49.2	45.0	37.1	(1.4)	(1.9)	(1.5)	0.2	0.2	0.8	44	51	64	48.9	48.8	50.5	(12.8)	(16.0)	(10.1)
Accenture	250,607	372.2	3.3	34.5	30.9	28.5	3.8	3.6	3.3	20.0	18.8	17.4	23.8	23.4	21.8	32.4	35.3	34.5	64,896	68,785	73,381	19.2	19.1	19.2	11.2	11.8	12.0
Cognizant	39,413	79.5	1.9	17.1	16.0	14.8	2.0	1.8	1.7	11.4	10.3	9.5	15.7	14.9	14.7	19.6	20.1	20.1	19,734	20,961	22,276	17.6	18.0	18.2	11.7	11.8	12.0

Source: Bloomberg & Ventura Research

Strong Revenue growth with increasing margins deserves re-rating in valuations

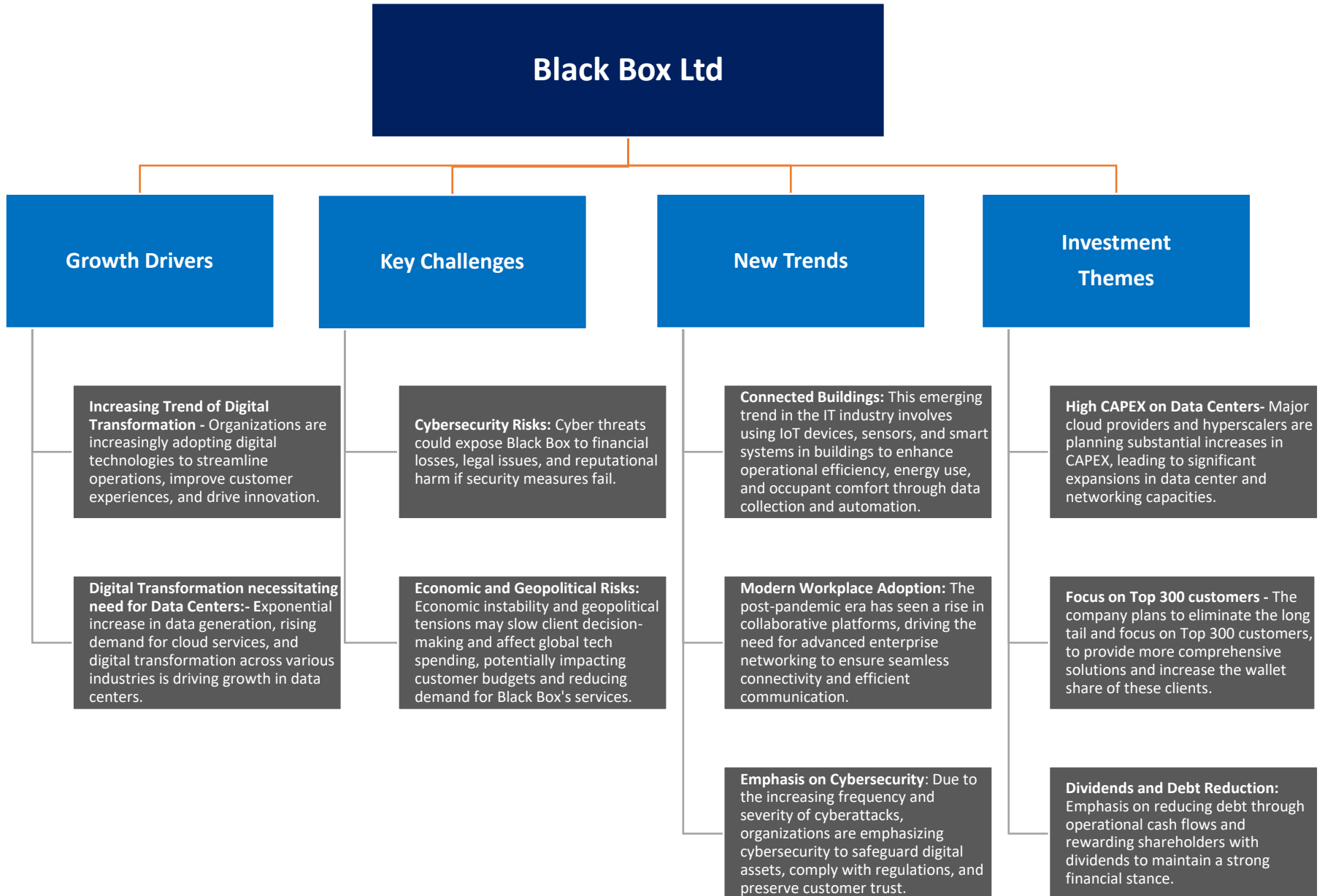


Black Box's Financial Summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Revenue from operations	4,674.0	5,370.2	6,287.6	6,281.6	6,391.2	7,216.9	7,996.0	8,878.0	9,879.2	11,018.7	12,146.9	13,402.5	14,801.3	16,361.1	18,102.0
<i>YoY Growth (%)</i>	<i>(6.4)</i>	<i>14.9</i>	<i>17.1</i>	<i>(0.1)</i>	<i>1.7</i>	<i>12.9</i>	<i>10.8</i>	<i>11.0</i>	<i>11.3</i>	<i>11.5</i>	<i>10.2</i>	<i>10.3</i>	<i>10.4</i>	<i>10.5</i>	<i>10.6</i>
Raw Material Cost	1,541.0	1,755.8	2,035.2	1,799.3	1,697.6	1,916.9	2,123.9	2,358.1	2,624.1	2,926.7	3,226.4	3,559.9	3,931.5	4,345.8	4,808.2
<i>RM Cost to Sales (%)</i>	<i>33.0</i>	<i>32.7</i>	<i>32.4</i>	<i>28.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>
Employee Cost	1,825.4	2,145.6	2,681.7	2,500.8	2,607.6	2,930.1	3,230.4	3,569.0	3,971.4	4,429.5	4,883.0	5,387.8	5,950.1	6,577.2	7,277.0
<i>Employee Cost to Sales (%)</i>	<i>39.1</i>	<i>40.0</i>	<i>42.7</i>	<i>39.8</i>	<i>40.8</i>	<i>40.6</i>	<i>40.4</i>	<i>40.2</i>	<i>40.2</i>	<i>40.2</i>	<i>40.2</i>	<i>40.2</i>	<i>40.2</i>	<i>40.2</i>	<i>40.2</i>
Other Expenses	997.6	1,211.0	1,308.1	1,555.3	1,540.8	1,722.0	1,904.9	2,085.5	2,317.5	2,581.4	2,830.3	3,119.4	3,442.7	3,803.2	4,205.4
<i>Other Expenses to Sales (%)</i>	<i>21.3</i>	<i>22.6</i>	<i>20.8</i>	<i>24.8</i>	<i>24.1</i>	<i>23.9</i>	<i>23.8</i>	<i>23.5</i>	<i>23.5</i>	<i>23.4</i>	<i>23.3</i>	<i>23.3</i>	<i>23.3</i>	<i>23.2</i>	<i>23.2</i>
EBITDA	310.0	257.8	262.6	426.2	545.2	648.0	736.8	865.4	966.2	1,081.1	1,207.1	1,335.4	1,477.0	1,635.0	1,811.4
<i>EBITDA Margin (%)</i>	<i>6.6</i>	<i>4.8</i>	<i>4.2</i>	<i>6.8</i>	<i>8.5</i>	<i>9.0</i>	<i>9.2</i>	<i>9.7</i>	<i>9.8</i>	<i>9.8</i>	<i>9.9</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>
PAT	78.1	72.7	23.7	136.0	238.8	315.4	379.0	459.2	527.7	603.6	686.1	765.4	850.8	944.7	1,048.2
<i>PAT Margin (%)</i>	<i>1.7</i>	<i>1.4</i>	<i>0.4</i>	<i>2.2</i>	<i>3.7</i>	<i>4.4</i>	<i>4.7</i>	<i>5.2</i>	<i>5.3</i>	<i>5.5</i>	<i>5.6</i>	<i>5.7</i>	<i>5.7</i>	<i>5.8</i>	<i>5.8</i>
Net Profit	78.1	72.7	23.7	137.7	238.8	315.4	379.0	459.2	527.7	603.6	686.1	765.4	850.8	944.7	1,048.2
<i>Net Margin (%)</i>	<i>1.7</i>	<i>1.4</i>	<i>0.4</i>	<i>2.2</i>	<i>3.7</i>	<i>4.4</i>	<i>4.7</i>	<i>5.2</i>	<i>5.3</i>	<i>5.5</i>	<i>5.6</i>	<i>5.7</i>	<i>5.7</i>	<i>5.8</i>	<i>5.8</i>
Adjusted EPS	4.6	4.3	1.4	8.2	14.2	18.7	22.5	27.2	31.3	35.8	40.7	45.4	50.5	56.0	62.2
<i>P/E (X)</i>	<i>140.1</i>	<i>150.4</i>	<i>461.6</i>	<i>79.5</i>	<i>45.8</i>	<i>34.7</i>	<i>28.9</i>	<i>23.8</i>	<i>20.7</i>	<i>18.1</i>	<i>15.9</i>	<i>14.3</i>	<i>12.9</i>	<i>11.6</i>	<i>10.4</i>
Adjusted BVPS	12.3	15.4	17.6	28.5	42.7	61.4	83.9	111.1	142.4	178.3	219.0	264.4	314.8	370.9	433.1
<i>P/BV (X)</i>	<i>52.9</i>	<i>42.0</i>	<i>37.0</i>	<i>22.7</i>	<i>15.2</i>	<i>10.6</i>	<i>7.7</i>	<i>5.8</i>	<i>4.6</i>	<i>3.6</i>	<i>3.0</i>	<i>2.5</i>	<i>2.1</i>	<i>1.7</i>	<i>1.5</i>
Enterprise Value	10,704.8	10,901.7	11,081.3	11,113.5	10,864.7	10,511.6	10,079.3	9,569.7	9,009.1	8,393.5	7,710.8	6,962.7	6,142.2	5,239.1	4,241.2
<i>EV/EBITDA (X)</i>	<i>34.5</i>	<i>42.3</i>	<i>42.2</i>	<i>26.1</i>	<i>19.9</i>	<i>16.2</i>	<i>13.7</i>	<i>11.1</i>	<i>9.3</i>	<i>7.8</i>	<i>6.4</i>	<i>5.2</i>	<i>4.2</i>	<i>3.2</i>	<i>2.3</i>
Net Worth	206.7	260.4	296.0	480.9	719.7	1,035.1	1,414.1	1,873.2	2,400.9	3,004.5	3,690.6	4,455.9	5,306.7	6,251.4	7,299.6
<i>Return on Equity (%)</i>	<i>37.8</i>	<i>27.9</i>	<i>8.0</i>	<i>28.6</i>	<i>33.2</i>	<i>30.5</i>	<i>26.8</i>	<i>24.5</i>	<i>22.0</i>	<i>20.1</i>	<i>18.6</i>	<i>17.2</i>	<i>16.0</i>	<i>15.1</i>	<i>14.4</i>
Capital Employed	382.9	534.4	648.0	878.2	1,131.3	1,500.0	1,946.1	2,408.8	2,940.5	3,548.6	4,239.2	5,009.6	5,866.0	6,816.9	7,872.1
<i>Return on Capital Employed (%)</i>	<i>45.6</i>	<i>25.2</i>	<i>19.3</i>	<i>31.2</i>	<i>34.7</i>	<i>32.1</i>	<i>28.6</i>	<i>26.5</i>	<i>24.4</i>	<i>22.7</i>	<i>21.2</i>	<i>19.8</i>	<i>18.6</i>	<i>17.7</i>	<i>16.9</i>
Invested Capital	(27.4)	223.2	438.5	655.6	645.5	607.7	554.4	504.0	471.1	459.1	462.5	479.7	510.1	551.6	601.9
<i>Return on Invested Capital (%)</i>	<i>(783.0)</i>	<i>71.3</i>	<i>35.4</i>	<i>47.6</i>	<i>68.4</i>	<i>89.0</i>	<i>112.9</i>	<i>148.9</i>	<i>179.1</i>	<i>206.4</i>	<i>228.9</i>	<i>243.5</i>	<i>252.3</i>	<i>256.9</i>	<i>259.4</i>
Cash Flow from Operations	303.2	95.3	13.0	134.3	419.5	563.9	647.4	742.2	832.4	933.5	1,047.8	1,161.9	1,288.3	1,429.4	1,587.2
Cash Flow from Investing	(32.5)	(70.9)	19.3	(0.7)	(18.5)	(51.8)	(40.7)	(45.1)	(69.5)	(98.7)	(129.2)	(159.3)	(192.7)	(228.0)	(265.3)
Cash Flow from Financing	(277.3)	(42.8)	(58.5)	(155.0)	(129.2)	(105.6)	(107.4)	(184.0)	(198.3)	(214.6)	(231.4)	(249.5)	(269.6)	(292.0)	(317.1)
Net Cash Flow	(6.5)	(18.4)	(26.2)	(21.4)	271.7	406.5	499.4	513.1	564.6	620.1	687.2	753.2	826.0	909.4	1,004.8
Free Cash Flow	364.6	86.6	121.9	263.1	392.9	536.1	618.2	711.5	775.2	848.4	933.4	1,016.9	1,111.0	1,218.3	1,340.5
<i>FCF to Revenue (%)</i>	<i>7.8</i>	<i>1.6</i>	<i>1.9</i>	<i>4.2</i>	<i>6.1</i>	<i>7.4</i>	<i>7.7</i>	<i>8.0</i>	<i>7.8</i>	<i>7.7</i>	<i>7.7</i>	<i>7.6</i>	<i>7.5</i>	<i>7.4</i>	<i>7.4</i>
<i>FCF to EBITDA (%)</i>	<i>117.6</i>	<i>33.6</i>	<i>46.4</i>	<i>61.7</i>	<i>72.1</i>	<i>82.7</i>	<i>83.9</i>	<i>82.2</i>	<i>80.2</i>	<i>78.5</i>	<i>77.3</i>	<i>76.1</i>	<i>75.2</i>	<i>74.5</i>	<i>74.0</i>
<i>FCF to Net Profit (%)</i>	<i>466.8</i>	<i>119.2</i>	<i>514.3</i>	<i>191.1</i>	<i>164.6</i>	<i>170.0</i>	<i>163.1</i>	<i>155.0</i>	<i>146.9</i>	<i>140.6</i>	<i>136.1</i>	<i>132.9</i>	<i>130.6</i>	<i>129.0</i>	<i>127.9</i>
<i>FCF to Net Worth (%)</i>	<i>176.4</i>	<i>33.3</i>	<i>41.2</i>	<i>54.7</i>	<i>54.6</i>	<i>51.8</i>	<i>43.7</i>	<i>38.0</i>	<i>32.3</i>	<i>28.2</i>	<i>25.3</i>	<i>22.8</i>	<i>20.9</i>	<i>19.5</i>	<i>18.4</i>
Total Debt	176	274	352	397	412	465	532	536	540	544	549	554	559	566	572
Net Debt	(234)	(37)	142	175	(74)	(427)	(860)	(1,369)	(1,930)	(2,545)	(3,228)	(3,976)	(4,797)	(5,700)	(6,698)
<i>Net Debt to Equity (X)</i>	<i>(1.1)</i>	<i>(0.1)</i>	<i>0.5</i>	<i>0.4</i>	<i>(0.1)</i>	<i>(0.4)</i>	<i>(0.6)</i>	<i>(0.7)</i>	<i>(0.8)</i>	<i>(0.8)</i>	<i>(0.9)</i>	<i>(0.9)</i>	<i>(0.9)</i>	<i>(0.9)</i>	<i>(0.9)</i>
<i>Net Debt to EBITDA (X)</i>	<i>(0.8)</i>	<i>(0.1)</i>	<i>0.5</i>	<i>0.4</i>	<i>(0.1)</i>	<i>(0.7)</i>	<i>(1.2)</i>	<i>(1.6)</i>	<i>(2.0)</i>	<i>(2.4)</i>	<i>(2.7)</i>	<i>(3.0)</i>	<i>(3.2)</i>	<i>(3.5)</i>	<i>(3.7)</i>
<i>Interest Coverage Ratio (X)</i>	<i>2.2</i>	<i>2.2</i>	<i>1.4</i>	<i>2.2</i>	<i>3.1</i>	<i>3.4</i>	<i>3.6</i>	<i>4.0</i>	<i>4.2</i>	<i>4.3</i>	<i>4.5</i>	<i>4.6</i>	<i>4.7</i>	<i>4.8</i>	<i>4.8</i>
Fundamental scores															
Altman Z Score	2.5	2.2	2.2	2.8	5.8	5.4	5.1	4.8	4.5	4.3	4.1	3.9	3.7	3.5	3.3
Piotroski F-score	6.0	5.0	6.0	7.0	7.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Beneish M-score	(2.6)	(1.7)	(2.0)	(2.0)	(2.3)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)

Source: ACE Equity, Company Reports & Ventura Research

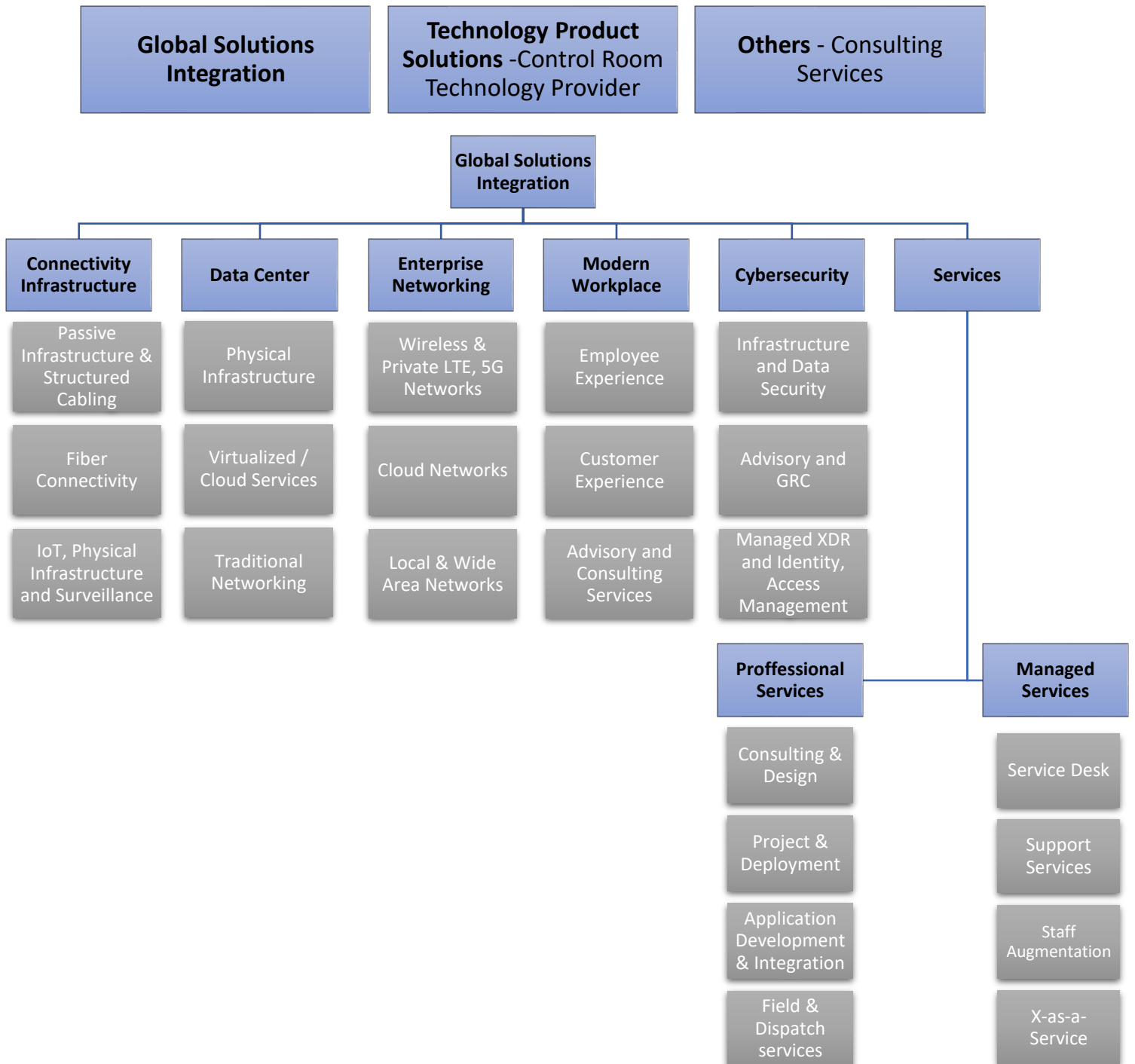
Black Box's SWOT Analysis



Company Overview

Black Box is a leading global digital infrastructure integrator, delivering a comprehensive suite of services. Black Box's portfolio includes Data Center solutions, advanced networking solutions, AI-powered analytics and IoT-enabled devices—all designed to keep the Company's clients ahead of the curve.

Business Verticals



Blackbox targets revenues of ₹7996 crore by FY27E from current ₹6282 crore as of FY24 , reflecting a robust CAGR of 8%, driven by the following factors:

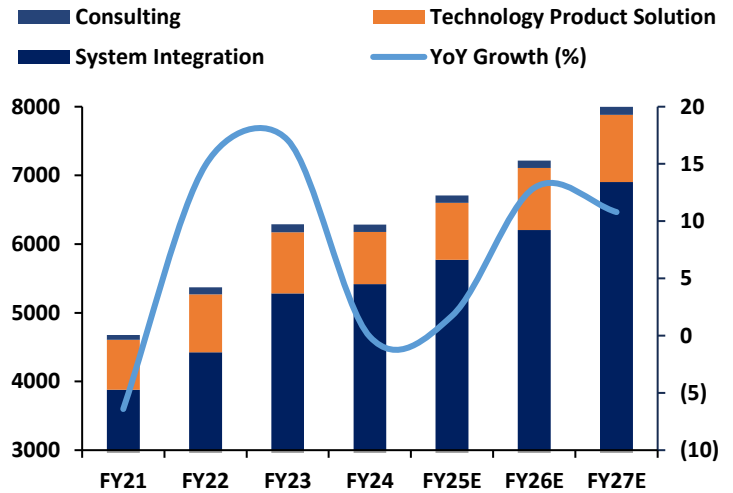
Revamped strategy to boost revenues

- **Renewed Go To Market strategy-** Rearchitecting the Go-To-Market (GTM) strategy into Industry Verticals and Horizontal Solutions to drive deeper engagement with the customers
- **Focus on Top 300 customers-** The Company is pivoting towards serving top 300 customers and exiting low-value long-tail customers
- **Strong pipeline –** The company has a strong pipeline of 2 billion dollars, and plans to increase the conversion rate to 25% from current 20%
- **Focus on Data Center-** Black Box aims to strategically enter India’s expanding data center market, with plans to drive significant revenue growth over the next three years

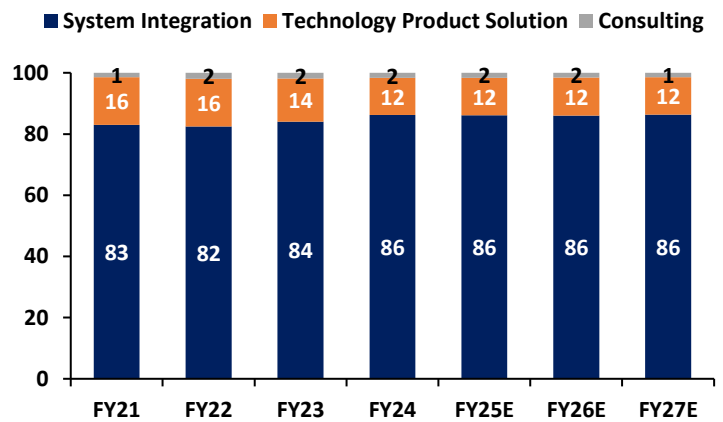
Growth across all verticals

- **Global Solutions Integration-** Growing at 6% CAGR from ₹5,418 crore to ₹6,902 crore by FY27E
 - **Data center business** expected to grow from ₹1,256 crore to ₹1,994 crore by FY27E at a CAGR of 15%.
- **Technology Products Solution-** Growing at 9% CAGR from ₹982 crore to ₹758 crore by FY27E.
- **Consulting expected to grow from ₹106 crore to ₹112 crore by FY27E at a CAGR of approximately 2%**

Revenues expected to grow at 8% CAGR



Revenue split across verticals (%)



Renewed Go-To-Market Strategy

Blackbox has revamped its go-to-market strategy, adopting a matrix structure of industry verticals and technology horizontals to enhance customer centricity. This approach aims to deepen engagement by aligning innovative, cutting-edge technology solutions with the diverse needs of various industries.

The strategy includes focused practice areas in connectivity infrastructure, data center solutions, modern workplace, enterprise network, and cybersecurity. These areas are designed to deliver solutions that are contextual and relevant to the specific needs of each industry vertical.

This reorganization is structured to drive growth by enhancing the relevance of solutions offered and deepening customer engagement across all sectors.

Vertical →	Financial Services	Technology	Healthcare	Consumer & Public Services	Commercial & Industrial
Horizontal ↓	Existing Accounts New Accounts	Existing Accounts New Accounts	Existing Accounts New Accounts	Existing Accounts New Accounts	Existing Accounts New Accounts
Connectivity Infrastructure	Revenue Streams		Business Enablers		Service Delivery
Data Center	Projects		Marketing		Project Management
Modern Workplace	Managed Services		Sales Operations		India Center of Excellence
Enterprise Networking	Maintenance Contracts		Procurement		Regional / Horizontal Delivery
Cybersecurity	Products		Order Management		Remote Services Delivery

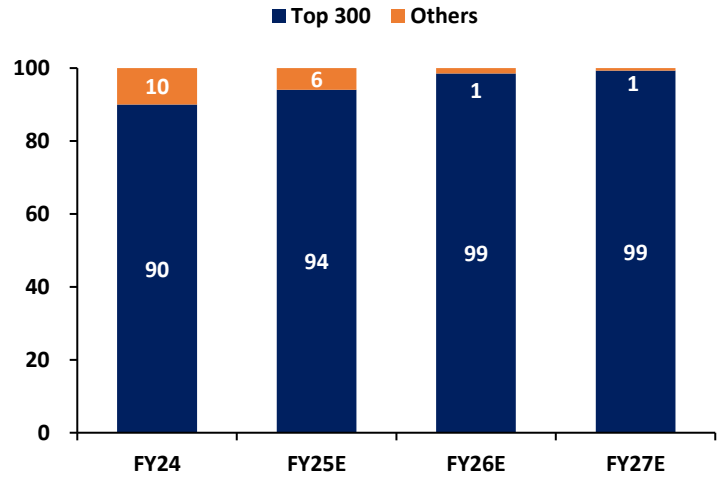
Focus on Top 300 customers and increasing their wallet share

Blackbox is reorganizing its strategy to concentrate on its top 250 customers, moving away from servicing the smaller and less profitable long tail of its customer base.

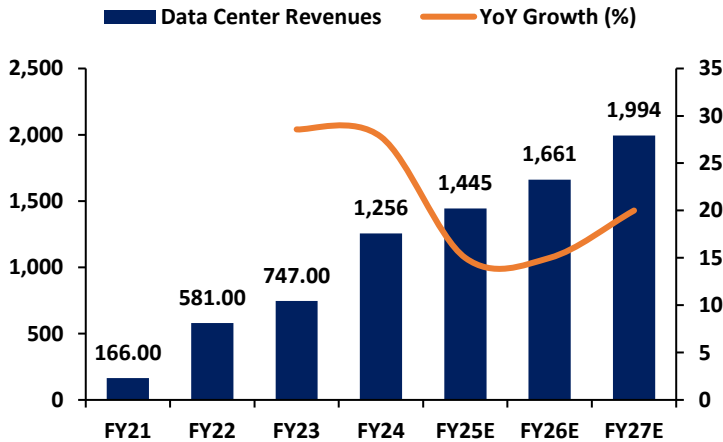
Out of approximately 2,000 total customers, the top 50 customers generate 90% of the revenue. This highlights a substantial long tail of 1,500-1,700 customers contributing only 10% to revenues.

Blackbox plans to go deeper with the customers by adding new solutions and products for existing top-tier customers to capture a greater wallet share.

Revenue from Top 300 customers to grow



Data Center segment expected to grow at 15% CAGR



Growth stemming from Data Centers

The primary focus of the company is data centers, which constitutes about ~20% of revenues.

We expect growth in the data center revenues to be disproportionately higher due to increased participation in data center infrastructure build-outs across North America, India, and other regions.

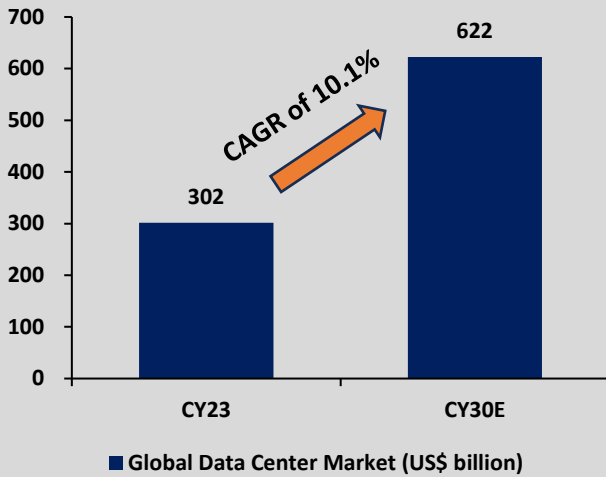
Going forward, revenue from this stream is expected to grow from ₹1256 crore to ₹1994 crore by FY27E, growing at a CAGR of 15%.

Gross Margin: Data center operations maintain a gross margin of around 20%.

Capital Expenditure: CAPEX by major cloud providers and hyperscalers is set to increase significantly, driving a hyper expansion in data center and networking capacities. The company serves major customers like Meta, Amazon, and Microsoft in North America and also caters to customers in the European market.

Geographic Focus: The company plans to focus on two specific geographies, India and North America. In North America, the market is more mature with a cost per megawatt at approximately \$12-15 million, compared to around \$7 million in India, due to higher cable quality requirements in the USA and lower labor costs in India. The company sees hyper growth in India, where they are constructing a strategy to be a significant player.

Global Data Center Market (US\$ billion)



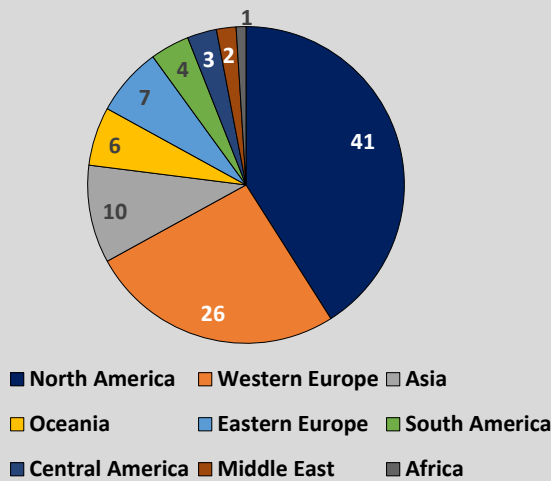
Key Growth Driver - Data Center Market

The global Data Center market, valued at US\$ 301.8 billion in CY 2023, is projected to reach US\$ 622.4 billion by 2030, growing at a CAGR of 10.1% from CY 2024 to CY 2030. This growth is driven by the exponential increase in data generation, rising demand for cloud services, and digital transformation across various industries.

Technological Adoption: Increased adoption of Internet of Things (IoT), machine learning (ML), and over-the-top (OTT) services are major contributors to market expansion. Additionally, the surge in internet users and popularity of social media platforms are significantly boosting internet traffic and, consequently, the demand for Data Centers.

Innovative Transformations: Innovations such as edge computing, AI-driven Data Center automation, and high-density colocation services are revolutionizing the Data Center landscape. These technologies enhance efficiency, reduce latency, and support real-time data processing, catering to the demand for data-intensive activities like video streaming, cloud gaming, and augmented reality applications.

Distribution of Data Centers by region



India a 'hyper-growth' market for the company

India is identified as a critical component of Black Box's operations, serving both local and multinational clients.

Data Center Expansion: The anticipated data center build-out in India over the coming years is substantial, with projections nearing 3,000 megawatts. The typical expenditure for building data center capacity is estimated between 50 crore and 60 crore per megawatt, indicating significant investment potential.

Center of Excellence Enhancement: Black Box has significantly invested in its Bangalore Center of Excellence, emphasizing the strategic role of this facility in nurturing talent and spearheading innovation for the company's operations in India.

Infrastructure Development: Black Box is actively involved in providing technological solutions for development of new airports.

Exploiting Competitive Edge: Black Box's experience with large-scale operations in North America is expected to provide a competitive edge in India. The company plans to partner with its global customers that are planning to set foot in India. Besides this, the company also plans to look at local partnerships.

Key Growth Drivers for Digital Transformation in India

India continues to be one of the fastest-growing major economies, maintaining this status for the third consecutive year. The rollout of 5G networks is expected to boost IT services by enhancing connectivity and reducing latency, opening new avenues for innovative tech solution

IT Spending Projections: IT spending in India is projected to grow from US\$ 220 billion in 2023 to US\$ 317 billion by 2027, advancing at a CAGR of 9.5%. This growth is supported by **government digitalization initiatives** like the Digital India programme and significant investments in areas such as cloud computing, IT modernization, GenAI, digital customer experiences, and digital engineering projects. The rise in disposable income and an expanding middle class are driving consumer spending, which in turn fuels the demand for IT products and services.

Fintech Market Growth: India is solidifying its position as a fast-growing global Fintech market, expected to reach US\$ 2.1 trillion by 2030. The growth of the AI market in India, anticipated to expand at a CAGR of ~25-35% until 2027, is underpinned by a substantial AI talent pool and robust AI investments..

Startup Culture: The burgeoning startup culture in India significantly contributes to the IT services sector, with Data Centers expanding to meet the increased demands for data storage and processing due to higher internet penetration and digital transactions.

Cybersecurity Focus: Enhancements in cybersecurity measures are crucial for protecting sensitive data and ensuring the integrity of digital transactions in India.

Adoption of Modern Workplace Solutions: Post-pandemic, there has been a surge in the adoption of modern workplace solutions and collaborative platforms, necessitating advanced enterprise networking solutions to support seamless connectivity and efficient communication. These developments affirm India's role as a pivotal player in the global IT services landscape, driving technological advancement and innovation.

North America – Black Box’s Cash Cow

North America is emerging as a focal point for global data center activity. Over the next 5-7 years, the region's data center capacity is projected to nearly double, increasing from the current 17 gigawatts to approximately 35 gigawatts. This expansion is creating significant momentum across hyperscalers and large multi-tenant data centers, with a notable growth in pipeline for this segment

The company currently provides two primary solutions to data centers: connectivity, including fiber and passive infrastructure, and networking, specifically 5G LTE solutions.

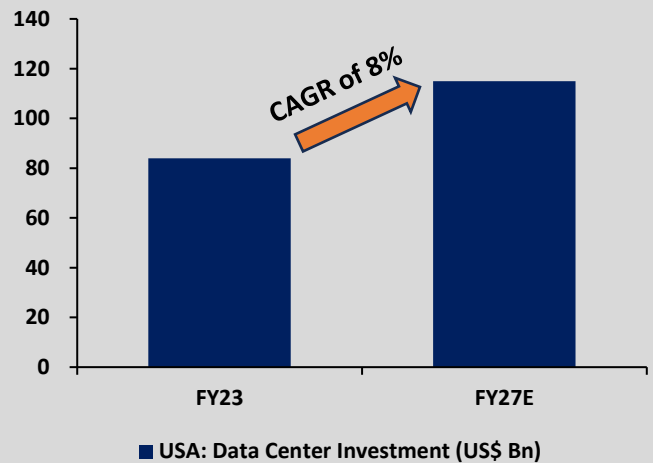
Competition mainly comes from local and regionally based players in the US, who have a strong presence in telecom and networking businesses. However, the company differentiates itself through its ability to serve customers at scale and across multiple markets, as large Hyperscalers are not only present in the US, but other markets too.

Key Growth Driver –Market Leader in Data Centers

North America holds the largest market share in the Data Center industry, driven by its focus on hyperscale facilities and edge computing to meet the rising demand for data processing and storage. The expanding Internet of Things (IoT) landscape is a significant driver of this growth.

The region is also witnessing a shift towards sustainability and energy efficiency, leading to increased investments in green Data Centers. This trend further reinforces North America's leadership in the IT services market.

USA: Data Center Investment (US\$ Bn)



Key Growth Drivers for other verticals under GSI

Organizations are increasingly adopting digital technologies to streamline operations, improve customer experiences, and drive innovation. Successful digital transformation can lead to a 20-30% increase in customer satisfaction and economic gains of 20-50%. The surge in modern workplace solutions post-pandemic has heightened the demand for enterprise networking solutions to enable seamless connectivity and efficient communication.

Connectivity Infrastructure

Impact of 5G: The adoption of 5G in enterprise networks enables higher speeds, lower latency, and greater capacity, ideal for IoT, remote work, and real-time analytics. The synergy of 5G with Wi-Fi enhances redundancy and resilience against network downtimes.

Connected Buildings: The concept of connected buildings is revolutionising the IT industry, Connected buildings utilize IoT devices, sensors, and smart systems to gather data, optimize operations, enhance energy efficiency, and improve occupant comfort. These systems integrate building management components such as HVAC, lighting, security, and access control, enabling centralized management and real-time monitoring. This reduces operational costs and carbon footprints while enhancing sustainability.

Market Growth: The global connected buildings market is projected to grow from US\$ 105 billion in CY 2024 to US\$ 154 billion by CY 2027, achieving a CAGR of 13.6% from CY 2024 to CY 2028. Advancements in IoT, AI, and cloud computing are driving this growth by providing robust data processing and storage solutions.

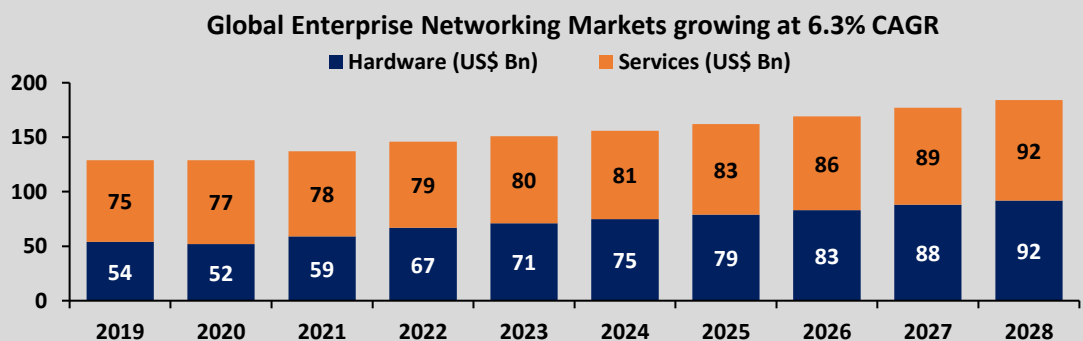
Enterprise Networking

As organizations accelerate their digital transformation journeys, there's a heightened demand for robust, scalable networking solutions. Technologies such as LANs, WANs, and wireless networks are crucial for handling increased data traffic and ensuring secure connectivity.

Market Expansion: The global enterprise networking market, valued at US\$ 205 billion in CY 2023, is projected to grow to US\$ 260 billion by 2027. This growth is driven by the shift towards hybrid and multi-cloud environments, necessitating advanced network management and integration services.

Technological Innovations: The adoption of software-defined networking (SDN) and network function virtualization (NFV) is revolutionizing traditional networking by separating network control from data planes and virtualizing network functions. These advancements allow for more flexible and manageable network architectures.

Emergence of NaaS: Network-as-a-Service (NaaS) is becoming increasingly popular, providing a flexible, scalable, and cost-effective alternative to traditional network infrastructure. NaaS offers networking capabilities on a subscription basis, aligning with modern business needs for agility and efficiency.

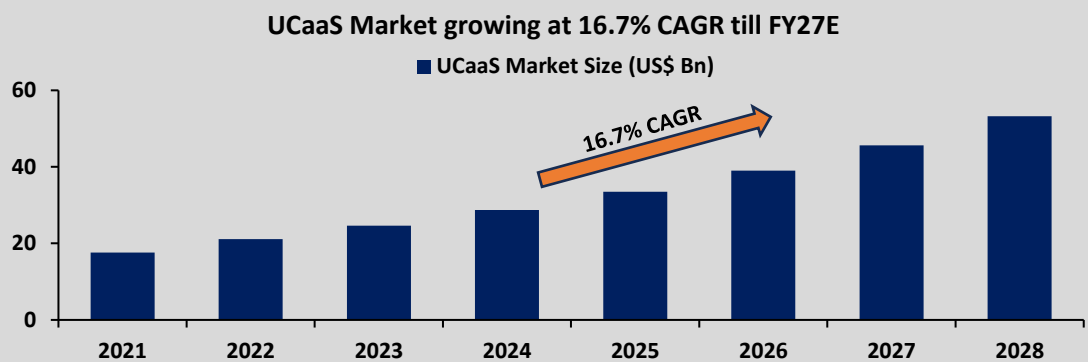


Modern workplaces

Rise in Remote Work: By 2025, an estimated 22% of the US workforce will work remotely, necessitating robust IT infrastructure for secure access and collaboration. Companies are ramping up investments in digital tools to facilitate productivity and communication among dispersed teams

Security and Compliance Focus: As remote work becomes more prevalent, ensuring data security and regulatory compliance is crucial. Businesses are implementing advanced security measures to protect sensitive information and comply with industry standards.

Growth of UCaaS: The Unified Communications as a Service (UCaaS) market is set to expand significantly, projected to reach US\$ 53.2 billion by 2028, with a CAGR of 16.7%. This growth is driven by the need for integrated communication tools that support remote and hybrid work models.



Benefits of UCaaS: UCaaS solutions offer integrated communication channels such as voice, video, messaging, and file sharing through a single cloud-based platform. This integration provides businesses with enhanced flexibility, scalability, and cost-efficiency, improving productivity, streamlining workflows, and enhancing customer experiences.

Managed Services

Growth Drivers: The managed services market is witnessing robust growth due to organizations increasingly focusing on core competencies and navigating the complexities of IT environments.

Comprehensive Services: Managed services cover a broad spectrum of IT operations, including network management, cybersecurity, cloud services, and end-user support. By outsourcing these functions, businesses can leverage specialized expertise and streamline their operations.

Market Projections: Valued at approximately US\$ 268 billion in CY 2023, the global managed services market is expected to surge to US\$ 450 billion by 2028, with a compound annual growth rate (CAGR) of 10.9% from 2024 to 2028.

Cybersecurity

While cybersecurity represents a small part of the business, it has become a crucial area with significant recent successes. The company has secured contracts with notable clients, including one of the top 10 airports in the US, to manage their cybersecurity platforms.

Expanding Customer Base: The company is actively serving approximately 50 customers worldwide in the cybersecurity domain. In the last year alone, 20 new customers were added, including a major airport.

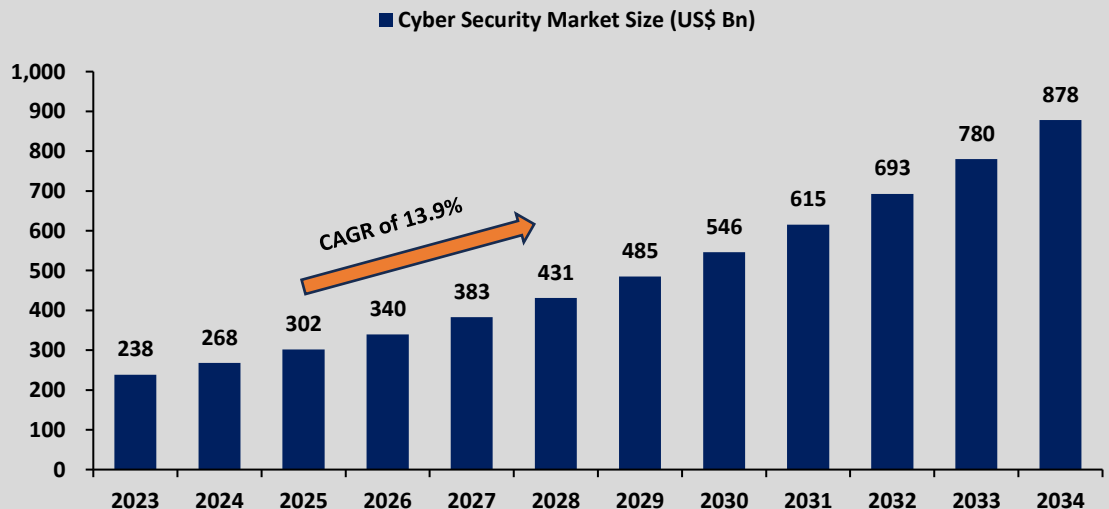
Gateway to Broader Engagements: Cybersecurity discussions often serve as a gateway for broader IT conversations with clients, frequently leading to additional services such as network support. Thus cybersecurity serves as an effective entry point for client engagement. Looking ahead to fiscal '25, the company anticipates adding many more logos within the cybersecurity sector.

Key Growth Drivers for Cybersecurity

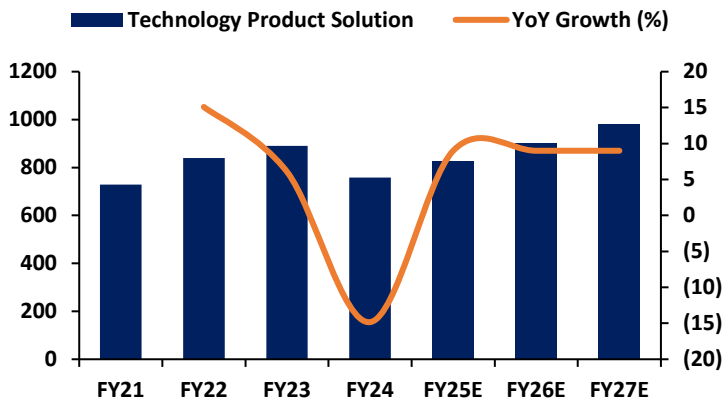
Economic Impact of Breaches: Organizations globally are prioritizing cybersecurity to protect digital assets, ensure regulatory compliance, and maintain customer trust due to the escalating frequency and severity of cyberattacks. The global average cost of a data breach rose to US\$ 4.45 million in CY 2023, a 15% increase from US\$ 3.86 million in CY2020, underscoring the escalating economic impact of cybersecurity breaches and the crucial need for robust security systems to safeguard digital assets.

Market Growth: The cybersecurity market was valued at US\$ 238 billion in CY2023 and is projected to grow to US\$ 268 billion in 2024, reaching US\$ 431 billion by 2028, with a CAGR of 13.9% from CY 2024 to CY 2028.

Cyber Security Market growing at 13.9% CAGR till CY28E



TPS business expected to grow at 9% CAGR till FY27E



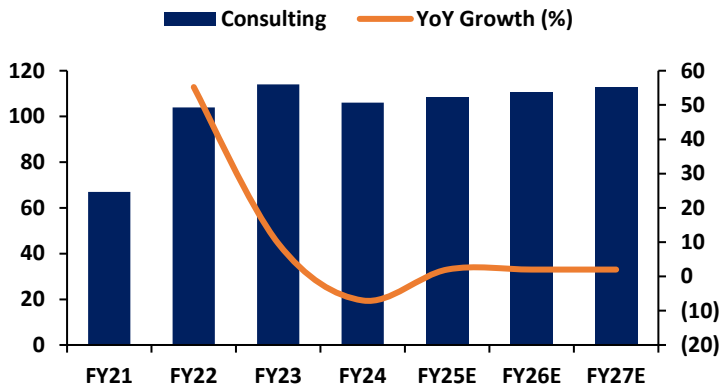
Technology Products Solutions

The TPS business currently contributes between 12% and 13% to overall revenue. This contribution is expected to remain steady, with growth anticipated in absolute terms but maintaining a consistent share of total revenue. This segment is expected to grow at ~9% every year.

Contribution from the TPS business is anticipated to stay within the current range

Profitability and Margins: From a gross margin perspective, the company achieves northward of 40%. The business reaches a break-even point at about \$21 million per quarter, with each additional dollar beyond this threshold being highly accretive to profits.

Consulting business expected to grow at 2% CAGR till FY27E



Consulting

The consulting business is a small part of revenue, contributing 2% of total revenue in FY24. We expect consulting business to foray as a supplementer to total growth, growing at 2% CAGR till FY27E from ₹106 Cr in FY24 to ₹112 cr in FY27E.

Key Growth Driver for Consulting – Outsourcing Trend

The global IT outsourcing market was valued at approximately US\$ 575.2 billion in CY 2023 and is projected to grow at a CAGR of 4% from CY 2024 to CY 2032, reaching US\$ 827.3 billion by 2032.

Companies are increasingly outsourcing critical functions such as infrastructure management, application development, and business process outsourcing. This shift aims to modernize technology infrastructure, enhance process efficiencies, and focus on core competencies, thereby strengthening strategic initiatives.

Profitability and other metrics

Blackbox achieved a 8.9% EBITDA margin in Q2FY25, and 8.5% for H1FY25, giving us confidence in the company's stride towards higher margins. Historically, the company has always performed better in H2 than it does in H1 in terms of operating profitability.

BlackBox targets a 10% EBITDA margin, driven by:-

- Renegotiating contracts for better yields
- Better relationship with technology vendor partners allows them to negotiate better.
- Get better productivity from its Center of Excellence in Bangalore, India, which is now maturing.
- EBITDA margins are projected to improve by 240 bps, from 6.8% in FY24 to 9.2% by FY27E, and Net profit margins are also expected to increase by 250 bps, from 2.2% in FY24 to 4.7% in FY27E.

Return Ratios:

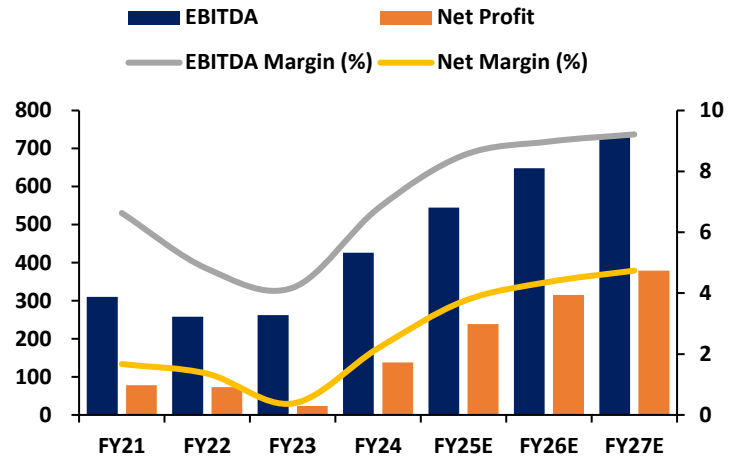
Supported by high topline growth and improving profitability, return ratios are expected to be in an upward trend going forward.

- Return on Invested Capital (ROIC) is projected to improve significantly by 3100 bps, increasing from 48% in FY24 to 116% by FY27E. (note : ratio being so high because of the high net debt position that the company is expected to have)
- Return on Equity is expected to slightly decrease to 27% in FY27E from the current 29% in FY24. (Despite increasing profitability, ROE is decreasing merely because of the low base of shareholders' funds, as the company was loss making until 2020.)

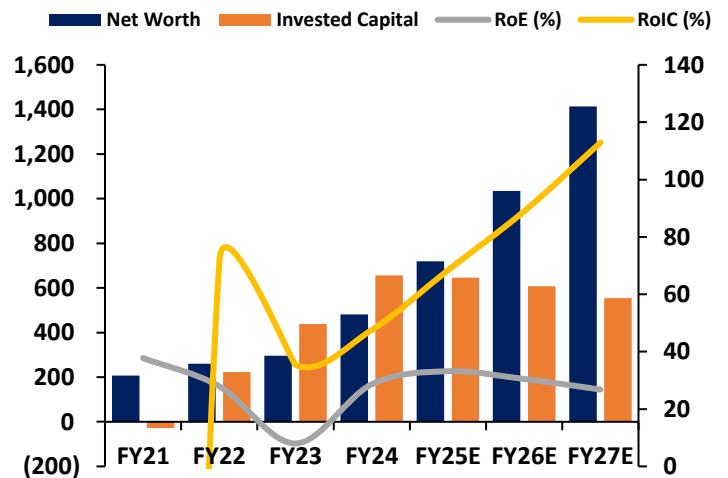
CAPEX:

The company has a low capex business model, requiring just ₹25-30 Cr of CAPEX every year, thus boosting free cash flows.

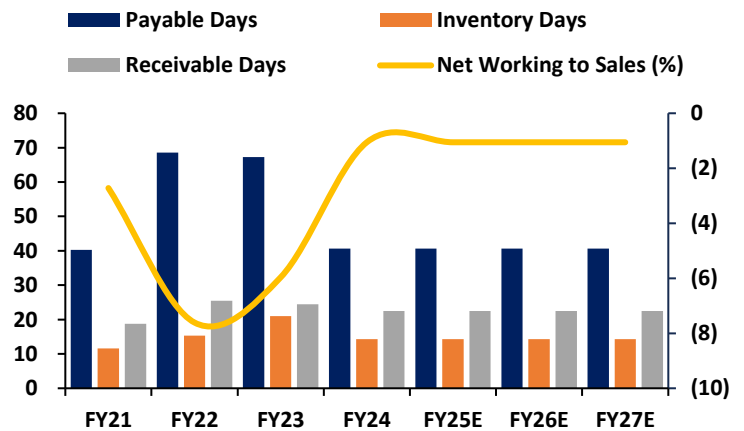
Taking strides towards 10% operating margins



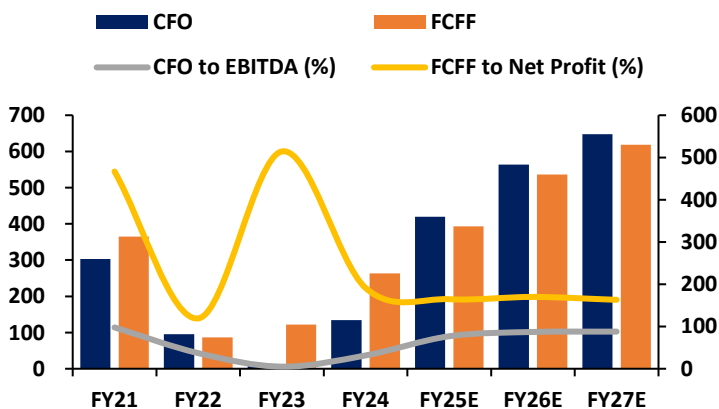
Strong profitability driving higher return ratios



Working capital trends expected to remain stable in near future



Strong cash flows in the future



Annual Report Analysis

After reviewing Black Box's FY24 Annual Report, here are key observations and insights:

Key takeaways

- **Order Backlog and Deal Wins-** Black Box Limited reported a slight decrease in its order backlog to US\$ 470 million as of March 2024 from US\$ 490 million in December 2023. The dip is attributed to slowed decision-making on project orders, although consistent project execution mitigates these effects. Notably, the company secured significant deals worth over US\$ 150 million, focusing on infrastructure, 5G LTE solutions, and data centers, indicating robust business acquisition strategies.
- **Strategic Market Expansion-** The company is poised to enter the burgeoning Indian data center market strategically, aiming to capitalize on this growth sector over the next three years. This move aligns with global trends and positions the company to leverage its technological expertise in a new, high-growth market.
- **Operational Efficiency and Strategic Focus-** Black Box's strategic direction emphasizes improving profitability and margins, prioritizing large deals, and refining customer focus by catering to the top 250-300 customers while phasing out low-value clients. The focus on operational efficiency and cost rationalization has already started to pay dividends, enhancing EBITDA margins and overall financial health.
- **Future Outlook and Growth Strategy-** The company's future strategies are clearly outlined: deepening relationships with top clients, pursuing new customer acquisitions, and exploring inorganic growth avenues. A shift towards industry-specific solutions and adopting a 'GLOCAL' approach—thinking globally while acting locally—underscores its commitment to adapting to market demands and enhancing service delivery.
- **Competitive Advantages-** Black Box continues to leverage its competitive edge through a diverse range of services across Data Centers, Networking, Modern Workplaces, and Cybersecurity. Its extensive international presence, including a significant support network and the Bangalore Capability Center, aids in maintaining cost efficiency and global integration capabilities. The company holds over 3,000 certifications globally, enhancing its reputation as a highly qualified service provider.

Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
Management & Leadership			
Management Quality	7	Low	The management is fairly experienced in the software industry.
Promoters Holding Pledge	6	Medium	The promoter holding stands at 71.1% and no holding is pledged.
Board of Directors Profile	7	Low	The directors have significant experience in their respective sectors and are experts in their areas.
Industry Consideration			
Industry Growth	7	Low	The global digital transformation market is expected to grow at 8.2%, and the company plans to focus on data center market, which is expected to grow at 10%.
Regulatory Environment or Risk	6	Medium	The company operates in multiple geographies, thus may face problems with adhering to multiple regulatory requirements.
Entry Barriers / Competition	8	Low	Although digital transformation is a highly competitive market, Blackbox operates in multiple business segments and multiple geographies, thus providing a comprehensive solution to the client
Business Prospects			
New Business / Client Potential	8	Low	The data center market is evolving rapidly, with each organization requiring digital transformation and cloud services.
Business Diversification	8	Low	Blackbox operates in multiple business segments, each catering to a unique requirement of the client, thus providing diversification across business verticals.
Market Share Potential	8	Low	The company operates in multiple geographies, and thus can gain market share by catering to hyperscalers that are planning to undertake major CAPEX by operating in multiple geographies
Margin Expansion Potential	8	Low	The company plans to increase margins by renegotiating contracts with clients and suppliers on better terms, and enhancing efficiency, thereby increasing margins.
Earnings Growth	8	Low	High sales growth and better margins enable strong earnings growth in the future
Valuation and Risk			
Balance Sheet Strength	7	Low	The company has a debt to equity ratio of 0.8 as of FY24, and the company doesn't plan any significant debt reduction in near future. The debt to total assets ratio is 0.1, indicating balance sheet strength.
Debt Profile	7	Low	The debt to equity ratio is below 1, thus keeping the company in a comfortable financial position with no significant solvency risk.
FCF Generation	8	Low	Strong sales growth, improving margins and minimal CAPEX offers strong boost to FCFF generation
Dividend Policy	6	Medium	The company does not plan to distribute any dividend in the near future as company wants to invest capital for growth.
Total Score	109		
Ventura Score (%)	73	Low	The overall risk profile of the company is good and we consider it as a LOW risk company for investments

Source: Company Reports & Ventura Research

Board members

The board members has been fairly consistent since the past 4 years, which shows their confidence in the company and its management.

Board members				
Name	FY21	FY22	FY23	FY24
Dilip Thakkar	Chairman & Ind. Director	Chairman & Ind. Director	Chairman & Ind. Director	Chairman & Ind. Director
Naresh Kothari	Non Exec. Director	Non Exec. Director	Non Exec. Director	Non Exec. Director
Anshuman Ruia	Exec. Director	Exec. Director	Exec. Director	Exec. Director
Neha Nagpal	Ind. Director	Ind. Director	Ind. Director	Ind. Director
Munesh Khanna	-	-	-	Addtn. Ind. Director
Sanjeev Verma	Whole-time Director & CEO	Whole-time Director & CEO	Whole-time Director & CEO	Whole-time Director & CEO
Deepak Kumar Bansal	Exec. Director & CFO	Exec. Director & CFO	Exec. Director & CFO	Exec. Director & CFO
Mahua Mukherje	Exec. Director	Exec. Director	Exec. Director	-

Name	Designation	Experience
Dilip Thakkar	Chairman & Ind. Director	Chartered Accountant and a Fellow member of the Institute of Chartered Accountants of India. Associated with several public and private companies as Director.
Naresh Kothari	Non-Exec. Director	Seasoned financial services professional with over 25 years in various management positions at Edelweiss Capital, including President of Management Committee, Co-Head of Edelweiss Alt. Asset Advisors.
Anshuman Ruia	Exec. Director	Part of the second generation of the Ruia family that founded Essar. Known for his financial expertise and project execution skills. Member of the YPO.
Neha Nagpal	Independent Director	Lawyer with over a decade of experience in commercial law and litigation, including work with the National Company Law Tribunal and Competition Commission of India.
Munesh Khanna	Additional Independent Director	Chartered Accountant with over 30 years of experience in strategic advisory and investment banking. Served on the board of several conglomerates like Hinduja Global, JSW Energy, and Indofil Organic.
Sanjeev Verma	Whole-time Director & CEO	Technology veteran with over 25 years of global experience in the ICT domain. Leadership in business operations, consulting, M&A, and sales & marketing on a global level.
Deepak Kumar Bansal	Exec. Director	Chartered Accountant and business enabler with over two decades of experience in leading financial operations and strategic initiatives globally, including corporate governance.

Source: Company Reports

Key Risks & Concerns

- **Economic and Geopolitical Factors:** The company has identified economic uncertainty and geopolitical tensions as factors that could delay client decisions and impact global technology spending. The global economic slowdown and tightened monetary policies may influence customer budgets and priorities, affecting demand for Black Box's services.
- **Dependence on Major Clients:** The company plans to focus on the top 250-300 clients. This dependence on a limited number of large clients exposes the company to substantial risk if any key client reduces their spending or terminates their relationship.
- **Cybersecurity Risks:** As a provider of digital infrastructure and cybersecurity solutions, Black Box must continually defend against cyber threats. Any breach or failure in its cybersecurity measures could lead to significant financial, legal, and reputational damage.
- **Regulatory and Compliance Risks:** Operating globally exposes Black Box to a complex web of regulations and compliance requirements across different regions. Non-compliance with these regulations could lead to fines, penalties, and damage to the company's reputation.

Contingent Liabilities

The contingent liabilities were significantly high in the past, but have reduced as a % of net worth in FY24, showing reduced risk for the company.

Figures (in INR Cr)	FY21	FY22	FY23	FY24
Claims against the Group not acknowledged as debt	10	101	1	1
In respect of disputed demands for matters under appeal with:	-	-	-	-
- Income tax authorities	30	27	7	8
- Excise, service tax and customs authorities	22	19	4	4
- Sales tax authorities	12	11	11	11
Form-F pending receipt	1	1	1	1
Total	75	159	23	24
Net Worth	207	260	296	481
Contingent Liabilities/Net Worth	36%	61%	8%	5%

Black Box's quarterly and annual performance

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	FY25E	FY26E	FY27E
Revenue from operations	4,674.0	5,370.2	6,287.6	1,571.4	1,574.4	1,655.5	1,480.4	6,281.6	1,423.4	1,497.2	6,391.2	7,216.9	7,996.0
<i>YoY Growth (%)</i>	<i>(6.4)</i>	<i>14.9</i>	<i>17.1</i>	<i>14.6</i>	<i>0.8</i>	<i>(1.0)</i>	<i>(12.0)</i>	<i>(0.1)</i>	<i>(9.4)</i>	<i>(4.9)</i>	<i>1.7</i>	<i>12.9</i>	<i>10.8</i>
Raw Material Cost	1,541.0	1,755.8	2,035.2	489.7	471.0	523.4	315.3	1,799.3	345.2	430.5	1,697.6	1,916.9	2,123.9
<i>RM Cost to Sales (%)</i>	<i>33.0</i>	<i>32.7</i>	<i>32.4</i>	<i>31.2</i>	<i>29.9</i>	<i>31.6</i>	<i>21.3</i>	<i>28.6</i>	<i>24.3</i>	<i>28.8</i>	<i>26.6</i>	<i>26.6</i>	<i>26.6</i>
Employee Cost	1,825.4	2,145.6	2,681.7	601.7	636.5	627.8	634.8	2,500.8	603.6	603.1	2,607.6	2,930.1	3,230.4
<i>Employee Cost to Sales (%)</i>	<i>39.1</i>	<i>40.0</i>	<i>42.7</i>	<i>38.3</i>	<i>40.4</i>	<i>37.9</i>	<i>42.9</i>	<i>39.8</i>	<i>42.4</i>	<i>40.3</i>	<i>40.8</i>	<i>40.6</i>	<i>40.4</i>
Other Expenses	997.6	1,211.0	1,308.1	392.9	368.2	390.6	405.7	1,555.3	360.3	331.0	1,540.8	1,722.0	1,904.9
<i>Other Expenses to Sales (%)</i>	<i>21.3</i>	<i>22.6</i>	<i>20.8</i>	<i>25.0</i>	<i>23.4</i>	<i>23.6</i>	<i>27.4</i>	<i>24.8</i>	<i>25.3</i>	<i>22.1</i>	<i>24.1</i>	<i>23.9</i>	<i>23.8</i>
EBITDA	310.0	257.8	262.6	87.2	98.7	113.8	124.6	426.2	114.3	132.6	545.2	648.0	736.8
<i>EBITDA Margin (%)</i>	<i>6.6</i>	<i>4.8</i>	<i>4.2</i>	<i>5.5</i>	<i>6.3</i>	<i>6.9</i>	<i>8.4</i>	<i>6.8</i>	<i>8.0</i>	<i>8.9</i>	<i>8.5</i>	<i>9.0</i>	<i>9.2</i>
PAT	78.1	72.7	23.7	24.0	30.9	40.6	40.5	136.0	36.7	51.3	238.8	315.4	379.0
<i>PAT Margin (%)</i>	<i>1.7</i>	<i>1.4</i>	<i>0.4</i>	<i>1.5</i>	<i>2.0</i>	<i>2.5</i>	<i>2.7</i>	<i>2.2</i>	<i>2.6</i>	<i>3.4</i>	<i>3.7</i>	<i>4.4</i>	<i>4.7</i>
Net Profit	78.1	72.7	23.7	23.9	32.0	40.9	40.9	137.7	37.1	51.1	238.8	315.4	379.0
<i>Net Margin (%)</i>	<i>1.7</i>	<i>1.4</i>	<i>0.4</i>	<i>1.5</i>	<i>2.0</i>	<i>2.5</i>	<i>2.8</i>	<i>2.2</i>	<i>2.6</i>	<i>3.4</i>	<i>3.7</i>	<i>4.4</i>	<i>4.7</i>
Adjusted EPS	4.6	4.3	1.4					8.2			14.2	18.7	22.5
<i>P/E (X)</i>	<i>140.1</i>	<i>150.4</i>	<i>461.6</i>					<i>79.5</i>			<i>45.8</i>	<i>34.7</i>	<i>28.9</i>
Adjusted BVPS	12.3	15.4	17.6					28.5			42.7	61.4	83.9
<i>P/BV (X)</i>	<i>52.9</i>	<i>42.0</i>	<i>37.0</i>					<i>22.7</i>			<i>15.2</i>	<i>10.6</i>	<i>7.7</i>
Enterprise Value	10,704.8	10,901.7	11,081.3					11,113.5			10,864.7	10,511.6	10,079.3
<i>EV/EBITDA (X)</i>	<i>34.5</i>	<i>42.3</i>	<i>42.2</i>					<i>26.1</i>			<i>19.9</i>	<i>16.2</i>	<i>13.7</i>
Net Worth	206.7	260.4	296.0					480.9			719.7	1,035.1	1,414.1
<i>Return on Equity (%)</i>	<i>37.8</i>	<i>27.9</i>	<i>8.0</i>					<i>28.6</i>			<i>33.2</i>	<i>30.5</i>	<i>26.8</i>
Capital Employed	382.9	534.4	648.0					878.2			1,131.3	1,500.0	1,946.1
<i>Return on Capital Employed (%)</i>	<i>45.6</i>	<i>25.2</i>	<i>19.3</i>					<i>31.2</i>			<i>34.7</i>	<i>32.1</i>	<i>28.6</i>
Invested Capital	(27.4)	223.2	438.5					655.6			645.5	607.7	554.4
<i>Return on Invested Capital (%)</i>	<i>(783.0)</i>	<i>71.3</i>	<i>35.4</i>					<i>47.6</i>			<i>68.4</i>	<i>89.0</i>	<i>112.9</i>
Cash Flow from Operations	303.2	95.3	13.0					134.3			419.5	563.9	647.4
Cash Flow from Investing	(32.5)	(70.9)	19.3					(0.7)			(18.5)	(51.8)	(40.7)
Cash Flow from Financing	(277.3)	(42.8)	(58.5)					(155.0)			(129.2)	(105.6)	(107.4)
Net Cash Flow	(6.5)	(18.4)	(26.2)					(21.4)			271.7	406.5	499.4
Free Cash Flow	364.6	86.6	121.9					263.1			392.9	536.1	618.2
<i>FCF to Revenue (%)</i>	<i>7.8</i>	<i>1.6</i>	<i>1.9</i>					<i>4.2</i>			<i>6.1</i>	<i>7.4</i>	<i>7.7</i>
<i>FCF to EBITDA (%)</i>	<i>117.6</i>	<i>33.6</i>	<i>46.4</i>					<i>61.7</i>			<i>72.1</i>	<i>82.7</i>	<i>83.9</i>
<i>FCF to Net Profit (%)</i>	<i>466.8</i>	<i>119.2</i>	<i>514.3</i>					<i>191.1</i>			<i>164.6</i>	<i>170.0</i>	<i>163.1</i>
<i>FCF to Net Worth (%)</i>	<i>176.4</i>	<i>33.3</i>	<i>41.2</i>					<i>54.7</i>			<i>54.6</i>	<i>51.8</i>	<i>43.7</i>
Total Debt	176	274	352					397			412	465	532
Net Debt	(234)	(37)	142					175			(74)	(427)	(860)
<i>Net Debt to Equity (X)</i>	<i>(1.1)</i>	<i>(0.1)</i>	<i>0.5</i>					<i>0.4</i>			<i>(0.1)</i>	<i>(0.4)</i>	<i>(0.6)</i>
<i>Net Debt to EBITDA (X)</i>	<i>(0.8)</i>	<i>(0.1)</i>	<i>0.5</i>					<i>0.4</i>			<i>(0.1)</i>	<i>(0.7)</i>	<i>(1.2)</i>
<i>Interest Coverage Ratio (X)</i>	<i>2.2</i>	<i>2.2</i>	<i>1.4</i>					<i>2.2</i>			<i>3.1</i>	<i>3.4</i>	<i>3.6</i>
Fundamental scores													
Altman Z Score	2.5	2.2	2.2					2.8			5.8	5.4	5.1
Piotroski F-score	6.0	5.0	6.0					7.0			7.0	6.0	6.0
Beneish M-score	(2.6)	(1.7)	(2.0)					(2.0)			(2.3)	(2.4)	(2.4)

Source: ACE Equity, Company Reports & Ventura Research

Black Box's consolidated financials & projections

Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E	Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Income Statement							Per share data & Yields						
Revenue	5,370.2	6,287.6	6,281.6	6,391.2	7,216.9	7,996.0	Adjusted EPS (INR)	4.3	1.4	8.2	14.2	18.7	22.5
YoY Growth (%)	14.9	17.1	(0.1)	1.7	12.9	10.8	Adjusted Cash EPS (INR)	10.2	7.8	15.0	20.3	25.1	29.1
Raw Material Cost	1,755.8	2,035.2	1,799.3	1,697.6	1,916.9	2,123.9	Adjusted BVPS (INR)	15.4	17.6	28.5	42.7	61.4	83.9
RM Cost to Sales (%)	32.7	32.4	28.6	26.6	26.6	26.6	Adjusted CFO per share (INR)	5.7	0.8	8.0	24.9	33.5	38.4
Employee Cost	2,145.6	2,681.7	2,500.8	2,607.6	2,930.1	3,230.4	CFO Yield (%)	0.9	0.1	1.2	3.8	5.2	5.9
Employee Cost to Sales (%)	40.0	42.7	39.8	40.8	40.6	40.4	Adjusted FCF per share (INR)	5.1	7.2	15.6	23.3	31.8	36.7
Other Expenses	1,211.0	1,308.1	1,555.3	1,540.8	1,722.0	1,904.9	FCF Yield (%)	0.8	1.1	2.4	3.6	4.9	5.7
Other Exp to Sales (%)	22.6	20.8	24.8	24.1	23.9	23.8	Solvency Ratio (X)						
EBITDA	257.8	262.6	426.2	545.2	648.0	736.8	Total Debt to Equity	1.1	1.2	0.8	0.6	0.4	0.4
Margin (%)	4.8	4.2	6.8	8.5	9.0	9.2	Net Debt to Equity	(0.1)	0.5	0.4	(0.1)	(0.4)	(0.6)
YoY Growth (%)	(16.9)	1.9	62.3	27.9	18.9	13.7	Net Debt to EBITDA	(0.1)	0.5	0.4	(0.1)	(0.7)	(1.2)
Depreciation & Amortization	98.6	107.5	114.3	103.6	107.3	111.1	Return Ratios (%)						
EBIT	159.2	155.1	311.9	441.5	540.7	625.8	Return on Equity	27.9	8.0	28.6	33.2	30.5	26.8
Margin (%)	3.0	2.5	5.0	6.9	7.5	7.8	Return on Capital Employed	25.2	19.3	31.2	34.7	32.1	28.6
YoY Growth (%)	(25.8)	(2.5)	101.0	41.6	22.5	15.7	Return on Invested Capital	71.3	35.4	47.6	68.4	89.0	112.9
Other Income	22.6	37.9	23.8	10.0	12.2	14.2	Working Capital Ratios						
Interest	73.6	111.3	141.3	143.6	158.9	174.5	Payable Days (Nos)	69	67	41	41	41	41
Fin Charges Coverage (X)	2.2	1.4	2.2	3.1	3.4	3.6	Inventory Days (Nos)	15	21	14	14	14	14
Exceptional Item	(22.1)	(52.3)	(39.7)	(39.7)	(39.7)	(39.7)	Receivable Days (Nos)	25	24	22	22	22	22
PBT	86.0	29.5	154.7	268.3	354.4	425.8	Net Working Capital Days (Nos)	(28)	(22)	(4)	(4)	(4)	(4)
Margin (%)	1.6	0.5	2.5	4.2	4.9	5.3	Net Working Capital to Sales (%)	(7.6)	(6.0)	(1.1)	(1.1)	(1.1)	(1.1)
YoY Growth (%)	(10.4)	(65.7)	425.4	73.4	32.1	20.2	Valuation (X)						
Tax Expense	13.3	5.8	18.7	29.5	39.0	46.8	P/E	150.4	461.6	79.5	45.8	34.7	28.9
Tax Rate (%)	15.4	19.5	12.1	11.0	11.0	11.0	P/BV	42.0	37.0	22.7	15.2	10.6	7.7
PAT	72.7	23.7	136.0	238.8	315.4	379.0	EV/EBITDA	42.3	42.2	26.1	19.9	16.2	13.7
Margin (%)	1.4	0.4	2.2	3.7	4.4	4.7	EV/Sales	2.0	1.8	1.8	1.7	1.5	1.3
YoY Growth (%)	(6.9)	(67.4)	473.8	75.6	32.1	20.2	Cash Flow Statement						
Min Int/Sh of Assoc	(0.0)	(0.0)	1.7	(0.0)	(0.0)	(0.0)	PBT	86.0	29.5	154.7	268.3	354.4	425.8
Net Profit	72.7	23.7	137.7	238.8	315.4	379.0	Adjustments	(259.1)	23.0	307.2	179.5	239.9	260.2
Margin (%)	1.4	0.4	2.2	3.7	4.4	4.7	Change in Working Capital	281.6	(33.6)	(308.9)	1.2	8.7	8.2
YoY Growth (%)	(6.9)	(67.4)	480.9	73.4	32.1	20.2	Less: Tax Paid	(13.3)	(5.8)	(18.7)	(29.5)	(39.0)	(46.8)
Balance Sheet							Cash Flow from Operations	95.3	13.0	134.3	419.5	563.9	647.4
Share Capital	32.8	33.6	33.6	33.6	33.6	33.6	Net Capital Expenditure	(70.9)	19.3	4.7	(26.5)	(27.9)	(29.2)
Total Reserves	227.6	262.4	447.3	686.1	1,001.5	1,380.4	Change in Investments	0.0	0.0	(5.4)	8.0	(24.0)	(11.4)
Shareholders Fund	260.4	296.0	480.9	719.7	1,035.1	1,414.1	Cash Flow from Investing	(70.9)	19.3	(0.7)	(18.5)	(51.8)	(40.7)
Long Term Borrowings	228.9	305.0	361.8	386.1	436.1	500.1	Change in Borrowings	29.0	15.1	(14.0)	14.3	53.3	67.1
Deferred Tax Assets / Liabilities	(17.1)	(19.8)	(24.6)	(24.6)	(24.6)	(24.6)	Less: Finance Cost	(73.6)	(111.3)	(141.3)	(143.6)	(158.9)	(174.5)
Other Long Term Liabilities	177.9	283.6	327.6	327.6	327.6	327.6	Proceeds from Equity	1.8	37.7	0.3	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	69.9	74.2	53.7	55.9	62.9	69.3	Dividend Paid	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	720.0	939.0	1,199.4	1,464.8	1,837.1	2,286.5	Cash flow from Financing	(42.8)	(58.5)	(155.0)	(129.2)	(105.6)	(107.4)
Net Block	732.5	794.2	808.2	731.1	651.7	569.9	Net Cash Flow	(18.4)	(26.2)	(21.4)	271.7	406.5	499.4
Capital Work in Progress	0.0	0.0	0.0	0.0	0.0	0.0	Forex Effect	(36.9)	(75.6)	30.0	0.0	0.0	0.0
Intangible assets under development	0.0	2.2	0.0	0.0	0.0	0.0	Opening Balance of Cash	357.0	301.7	199.9	214.1	485.8	892.3
Non Current Investments	0.0	30.4	32.1	32.6	56.6	68.0	Closing Balance of Cash	301.7	199.9	208.5	485.8	892.3	1,391.7
Long Term Loans & Advances	68.6	56.4	24.9	25.1	26.7	28.2							
Other Non Current Assets	27.2	73.0	74.1	75.4	85.1	94.3							
Net Current Assets	(108.4)	(17.2)	260.2	600.6	1,016.9	1,526.1							
Total Assets	720.0	939.0	1,199.4	1,464.8	1,837.1	2,286.5							

Source: ACE Equity, Company Reports & Ventura Research

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