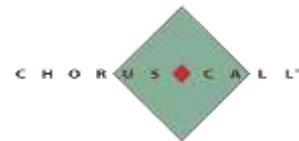




“Kaynes Technology India Limited  
Q3 FY '26 Investors Conference Call”

February 06, 2026



**MANAGEMENT:** **MRS. SAVITHA RAMESH – CHAIRPERSON – KAYNES TECHNOLOGY INDIA LIMITED**  
**MR. RAMESH KUNHIKANNAN – EXECUTIVE VICE CHAIRMAN – KAYNES TECHNOLOGY INDIA LIMITED**  
**DR. MUTHUKUMAR NARAYANASWAMY – MANAGING DIRECTOR – KAYNES TECHNOLOGY INDIA LIMITED**  
**MR. JAIRAM SAMPATH – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – KAYNES TECHNOLOGY INDIA LIMITED**  
**MR. SUMIT VERMA – INVESTOR RELATIONSHIP – KAYNES TECHNOLOGY INDIA LIMITED**  
**MUFG IR – INVESTOR RELATIONSHIP PARTNERS – KAYNES TECHNOLOGY INDIA LIMITED**

**MODERATOR:** **MR. DEEPAK AGARWAL – AXIS CAPITAL LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Kaynes Technology Q3 FY '26 Investors Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Agarwal. Thank you, and over to you, sir.

**Deepak Agarwal:** Thank you, Huda. Good afternoon, everyone. On behalf of Axis Capital, I would like to welcome you all to the Q3 FY '26 Earnings Con Call of Kaynes Technology India Limited. We have with us the management today represented by Mrs. Savitha Ramesh, Chairperson; Mr. Ramesh Kunhikannan, Executive Vice Chairman; Mr. Muthukumar Narayanaswamy, Managing Director; and Mr. Jairam Sampath, Whole Time Director and Chief Financial Officer.

Now I'll hand over the floor to the management for their opening remarks, post which we'll open the floor for Q&A. Thank you, and over to you, sir.

**Ramesh Kunhikannan:** Good afternoon, everyone. On behalf of Kaynes Technology team, I would like to welcome everyone to the earnings call for quarter 3 FY '26. Mrs. Savitha Ramesh, Chairperson of our Board; our Managing Director, Dr. Muthukumar Narayanaswamy; our CFO, Mr. Jairam Sampath and Whole-Time Director; Mr. Sumit Verma, our Investor Relationship; and MUFG IR, our Investor Relationship Partners.

Let me begin with a brief overview of our financial performances for 9 months period ended December '25. Our total revenue stood at INR23,837 million, reflecting a year-on-year growth of 37%. Operational EBITDA for the quarter was INR3,778 million, registering a growth of 55% over the same period last year. This translates into an EBITDA margin of 15.9%, an expansion of 190 basis points year-on-year.

Profit after tax came in at INR2,726 million, representing a PAT margin of 11.4%. We have an order book of around INR90,000 million, which is pending with us. As reflected in the numbers, this quarter represents a phase of consolidation as we strengthen execution and prepare for the next phase of accelerated growth.

Before I move ahead, I want to reiterate something that is fundamental to us at Kaynes, which is our deep commitment to our investors and shareholders and our responsibility to deliver outcomes that align with the confidence you place in us. Over the last few years, as we understood strategic initiatives with investments in background and parallel integration and building platforms for the future. There have been phases where the translation of strategy into near-term outcomes has taken longer in core EMS than anticipated.

We recognize that this has tested patience, particularly in an environment where expectations are understandingly high. What is important however, is that this phase is behind us. The actions

required to realign execution with ambition have been taken and the organization today is operating with far sharper focus, strong discipline and highest accountability across all levels.

I am encouraged by the fact that the building blocks of our long-term strategy are now firmly in place and progressing meaningfully. Our semiconductor journey has moved decisively from intent to execution.

The OSAT facility at Sanand is now operational and steadily ramping up. A key area of concern for many stakeholders have been the approval of the FSA under the ISM framework for OSAT. I am pleased to confirm that this approval is now in place.

In parallel, our PCB manufacturing initiative, a critical element of our backward integration strategy would significantly strengthen our control and position with customers over the electronics value chain. Unlike most companies, in our HDI PCB business, we are strategically focusing on high-end complex and multilayer PCBs for industries such as defense, aerospace, complex industrial segments, strategic electronics.

This requires us to closely work with our customers right from the early design and development stages. This would help us as a group to have an edge and already be well positioned and entrance with the customers to tap into the full business potential of the PCB manufacturing plus PCB assembly with our strategic investment in the HDI PCB manufacturing.

As we enter this next phase of our journey, we are focused on pairing our strategic relationships and leadership with consistent delivery excellence and sustained efficiency improvements. While this is a crucial transition phase for the near term. The directions ahead is far clearer. The execution engine is firmly engaged, and we remain confident in our ability to deliver sustained value for our investors and shareholders going forward.

With that, I would like to hand over the call to Mr. Jairam Sampath. Thank you.

**Jairam Sampath:**

Thank you, Rameshji, and good afternoon, everyone. Thanks for joining this call today. As we start the new quarter, I'm happy to share Kaynes Technologies financial results for the third quarter of FY '26, and I will share with you the highlights of the same.

For the 9 months ended December 2025, the total revenue stood at about INR23,837 million, demonstrating a year-on-year growth of about 37%. Our operating EBITDA for the period came in at about INR3,778 million, making it an increase of about 55% year-on-year and resulting in an EBITDA margin of 15.9%, an expansion of 190 basis points over last year.

Profit after tax reached INR2,726 million, corresponding to a PAT margin of 11.4%. Growth from the North American market through August Electronics integration is steadily building by unlocking specialized talent in the high-margin segments, including RF microwave assemblies, broadening our North American customer footprint and bringing proven capabilities.

Accelerating the global EMS leadership by synergizing seamlessly with the OSAT for comprehensive end-to-end value creation. At Sanand, as indicated by our Executive Vice Chairman, the FSA approval is received. This milestone meaningfully improves the visibility, especially with respect to capital subsidy from the central and state governments, it reduces uncertainty on cash flows and reinforces confidence in both our road map and its financial underpinnings.

The new PCB HDI multilayer PCB facility coming up at Chennai gives us a strategic advantage. This would mean a business potential of about INR15,000 crores for the group from the customers from our current investment of INR1,500 crores in the HDI PCB manufacturing operations, assuming the general thumb rule of PCB to PCBA of 10% based on our own data. From the same clients, INR1,500 crores of PCB revenues and INR13,500 crores of EMS revenues are likely.

At Kaynes, we remain committed to expanding our capabilities and geographic reach through strategic investments, amplifying innovation efficiency and holistic solutions for verticals like aerospace, industrial, automotive and airways.

With this, I complete my initial remarks and would like to place on record my thanks to Axis Capital team for hosting this earnings call. I'd like to thank all the participants for committing their valuable time in attending this call.

Now, I hand over the proceedings to the Axis Capital team to moderate the discussion. Thank you very much.

**Moderator:** Thank you very much. The first question is from the line of Siddhartha Bera from Nomura. Please go ahead.

**Siddhartha Bera:** Sir, first question is on the revenue side. I mean, we have consistently sort of been able to get a lot of good orders in terms of inflows and order book. But the gap in terms of execution seems to have widened a bit in terms of the growth in the revenues. So, can you just talk us through some of these things? How long does the current order book get executed? And where have you seen some delays? And how do you expect this to translate into revenues in the next few years?

**Ramesh Kunhikannan:** If you look at it, our order books are not cancellable. These order books, we have lead times, but customers don't take our products unless their entire project is aligned. So in a project when there is a slight alignment problem, then they hold certain inventories. So that is where the catch is.

Then there are occasions where we have not yet got approvals from various agencies for starting deliveries and things like that. That is why against our plan, there is a shortfall of around 20%. But otherwise, we are still there, and there should not be any problem.

**Siddhartha Bera:** Got it, sir. And in terms of the execution for the next few years, given this order book, how should we think about the ramp-up in revenues?

**Jairam Sampath:** So the ramp-up in revenues, if you notice, the order book, monthly order inflow has grown at about 11.5% for the quarter. That means the order book itself is growing at about 50%. And mainly all the orders that are locked in right now are all EMS orders. There aren't other orders like PC Board and OSAT, etcetera. So those orders will also probably get added. And so, you will start seeing the execution pipeline with orders a little better than what are already on hand. And the fundamentals have not changed.

Our order book represents typically a 12-month rolling forward basis, it represents about 1.5 years' worth of orders, which continues to be valid even now. And as we go forward, maybe some more orders will be available for future. So, the order book may grow at a rate higher than the actual sales growth because we will start covering the ground for a longer period than 1.5 years.

**Moderator:** The next question is from the line of Sonali from Jefferies India.

**Sonali Salgaonkar:** Sir, my first question is regarding to the working capital. Now we understand that this quarter, the working capital was elevated even sequentially, about 23 days higher as compared to September '25. So firstly, what is the reason for this? And secondly, we maintain our guidance of bringing down the net working capital to 85 days by March '26. So, could you help us understand exactly what journey or what steps will be embarked upon to bring that down because this seems like a sizable shift from 139 to 85 days within a quarter?

**Jairam Sampath:** Yes. So Sonaliji, thank you for joining this call and then your question. See, fundamentally, the number of days calculation is based on revenues, which are generally recognized during that period. So, when you go to the end of the year, generally, the revenues, especially in the last quarter are much higher. So, in terms of leverage you will get in terms of number of days itself will be significant because last quarter, we do almost 35%, 40% of our entire sale. So that's one reason why the number of days would improve on their own.

The second thing like our Executive Vice Chairman mentioned, most of these orders are custom-built orders. They are bespoke orders. And we do acquire materials because especially the environment is a little uncertain. So, we make sure that we give priority for execution of orders rather than just efficiency alone, because the customers depend on us to deliver the PC board.

So, we sometimes deliberately keep a little higher amount of inventory. And that evens out in the last quarter when the throughput from the company will be much higher. And so, we'll end up number of days improvement in terms of net working capital will show up just based on inventory alone. plus, of course, we are also taking some steps in the receivables area.

And a lot of execution will happen in the fourth quarter, which is in the supply chain finance-based execution. So, we will have lower receivables. So, your total net working capital in terms of number of days, especially when the denominator is also larger, will improve compared to the intervening quarter.

So typically, what we expect is about between 70 to 85 days. Last year, it was 85 days. We have not made significant improvements, because we have to contend with our delivery schedule for customers and be ready to deliver sometimes a little more inefficiently. But we are getting there in terms of improving this efficiency, too.

So, you can expect about 85 days and better net working capital. And that is fueled by a number of days, which is based on a larger sales base and then, of course, inventories which will get consumed because we execute more business.

**Sonali Salgaonkar:**

Sir, just an extension of this one. The spike this quarter is mainly because of the higher receivable days, same as last quarter. So, if you could help us understand as to exactly what you have in mind to bring down the receivable days? That would be helpful.

And secondly, the orders which are deferred, you mentioned in your television interview this morning that there is a deferral in the railways Kavach order worth INR3 billion, which is why you have brought down your revenue guidance as well. Sir, is Kavach the only order which has been deferred or there have been any more orders which we can expect in Q4?

**Jairam Sampath:**

Yes. Thank you. So, there are many customers. We have almost close to 300-plus active customers. And of course, the top several customers, like 25, 30 customers bring in the most of the revenue. So obviously, something or the other keeps changing. This is a dynamic environment that we work in. So, we do have this problem to contend with every quarter. We have got our own method of dealing with it, too.

So at this point in time, it happens to be Kavach because it's a safety critical item, and we have just made sure that the design that we put out doesn't need to have any upgrades, etcetera. The design we have is already approved, but we have decided to go for the next revision, which will give us better field performance, too. So that's one reason.

And in terms of receivables, there are 2 ways in which we improve that. One is to discount at the customer's limit, which is like supply chain finance. And a lot of banks have come forward along with the customers and who have spare limits to allow us to discount.

So, we are reducing the receivable days by going for a supply chain finance. The second thing is we are improving also the collection efficiency. And so, as we exit this year, we hopefully will have net working capital under control as well as the cash flows at the operating level turn positive.

**Moderator:**

The next question is from the line of Achal Lohade from Nuvama Institutional Equities.

**Achal Lohade:**

Two questions. First, if you could help us with the absolute value of the inventory receivable and payable. Because I'm just wondering how the days are calculated. Are you annualizing the quarter? Are you taking trailing 12 months

- Jairam Sampath:** We put a small note on this because this would take up time just explaining how we calculate. But in terms of number of days, at the end of the year, it is the entire year's opening and closing divided by 2. And for the period also, it's opening plus closing divided by 2. And it's there in the public domain. So, if you want, we can send you this calculation actually.
- Achal Lohade:** Sure. By any chance, the December numbers are handy with you, sir, receivable, payable and inventories, the absolute value?
- Jairam Sampath:** Yes, special review report has been made as per the SEBI guidelines. So, these are not audited numbers. Yes. So, inventories are at about INR1,226 crores and receivables are at about INR1,249 crores and corresponding payables are at about INR970 crores.
- Achal Lohade:** Understood. And this receivable includes the noncurrent receivable as well, right?
- Jairam Sampath:** Yes, Receivables means current period receivables remaining will appear in the other noncurrent assets.
- Achal Lohade:** And how much would that contribution?
- Jairam Sampath:** That will be about INR250 crores.
- Moderator:** The next question is from the line of Renu Baid from IIFL Capital.
- Renu Baid:** First, can you help us understand what were the numbers of revenues coming in from the metering business? And how was the revenue growth ex metering for 9 months FY '26 and expected numbers for fiscal '26 overall? And also, in terms of our initiative to reduce overall net working capital, what is being done to reduce the long-term debtors from the metering business that we were carrying forward from Iskraemeco?
- Jairam Sampath:** Yes. Thank you, Renuji, for joining the call. So, in terms of revenue, I think last quarter is going to be a busy quarter for us, and including the last quarter for FY '26, we'll cross about INR4,000 crores minimum and mainly driven by EMS revenues. As you know, the newer projects will take some time to settle down.
- Ramesh Kunhikannan:** INR300 crores will be metering...
- Jairam Sampath:** And maybe about INR300 crores will be metering revenues out of this. And see, fundamentally, in terms of receivables reduction, we have identified a bank with whom we will do funding that is funding the annuities payments, which are sitting in other noncurrent assets. And so that process is on. We have done experimental discounting of about INR60-odd crores. And the remaining also, we will attempt to do that. It has taken a little time more than what we anticipated, but I think we are getting there. So, this one particular bank will help us to at least get rid of this thing.

And also, you'll be happy to note that most of the metering revenues, we are now converting it into a device business, wherein we don't have to actually put up these kinds of annuity payments. So going forward, the quantum of these payments will be much lower once we are done with the Gujarat project. And all the other projects are all based on device model, wherein we actually become like an EMS player or ODM player for devices.

**Renu Baid:** What is the revenue growth ex of the metering segment or the line of business for 9 months FY '26?

**Jairam Sampath:** It will be, by and large, around 40% actually. So, as you know, the growth has not come in metering segment. Growth has come in all other segments. So, we are getting back to our original diversified portfolio. So last year, we did about INR500 crores, INR600 crores of this business. And this year, not much more than that. So, I'm talking about the metering business. So, in terms of growth for the other products, it's pretty strong. And as we go forward, you will see more and more of all the other revenues coming in.

**Renu Baid:** Got it. So just clarifying again, for first half, CMS growth ex metering was approximately 10% range. And you're suggesting for 9 months FY '26, it's about 40% Y-o-Y. I got the numbers right?

**Jairam Sampath:** Yes, you've got the numbers right.

**Moderator:** The next question is from the line of Sameet Sinha from Macquarie Capital.

**Sameet Sinha:** My question was primarily longer term. I mean, you reiterated your \$1 billion guidance for fiscal '28. So basically doubling from where you are right now, slightly more than double. Can you break it up for us? Obviously, things have changed a lot in the last 9 months since you initially gave guidance. But how much of that is the core EMS, August, smart meters? Can you bridge that for us? Because I'm getting like a number like a 30% organic growth rate. So, if you can shed some light on that, like what are the key drivers of that growth?

**Ramesh Kunhikannan:** See, on the growth, what we have projected \$1 billion, we are still sticking on to that because for us, from our bare board, from our OSAT, additional buildings are going to take place. And for us, from our EMS, which is by the time going to be a lot of indigenization taking place because of the government compulsion. So, I am very certain and seeing the way the order inflow is happening, we are definitely going to reach there for those numbers. And there is no doubt we are having.

If you see our order pending on the aerospace, defense, then railways, then segments like Kavach, which is taking place. If you see many Kavach businesses are getting disqualified and Kavach, they are strengthening all the technological needs. So, we stand to gain a lot out of that. And I'm very certain we achieving a number of \$1 billion will definitely be achieved.

**Sameet Sinha:** Can you specify how much, has any projections changed for your OSAT PCB business within that context?

**Jairam Sampath:** Yes, Sameetji, thank you for joining this call and the question. See, essentially, we don't plan in such a way that we exactly cut-to-cut planning. That means the total is equal to A plus B plus C. So, when we conversationally talk about plans, individual plans are stretched beyond what they ultimately will contribute. So, by that, what we mean is these 2 new projects, which are OSAT and PC Board, they are in the stage of final implementation of the first phase of factories. And our focus right now is to get them going.

So, at the minimum, you can expect INR1,500 crores from our OSAT business. Similarly, you can expect about INR1,000 crores from PC Board business. Now beyond just fine-tuning at this point in time, when they start delivering, then we can probably fine-tune these when we start managing the order book, et cetera.

Right now, we have agreements in place for OSAT 3 clients. So, we are looking at, at least INR2,500 crores coming in. That does not mean that the EMS business is not going to grow. It also means that there will be similar pressure on EMS business. And we are just making sure that we don't overcommit and build expectations, due to even environmental reasons, sometimes don't get fulfilled. So that's why you will have the plans of A and B and C, that is EMS, OSAT and PCB.

Individually, if you total up, it will show you a different picture. But actually speaking, there's an interplay and then at some point in time, we'll call out the actual number maybe closer to FY '28, which is like another 3 quarters, hence, we'll have more clarity on how these numbers will be. But what I have told you for both OSAT and PCB, that's a target given to those companies, those subsidiaries and also the EMS is at the minimum balance and then there could be other additions too. So, at this point in time, I would not like to comment on how better it can be. But we'll do that 3 quarters later.

**Moderator:** The next question is from the line of Indrajit Agarwal from CLSA.

**Indrajit Agarwal:** A couple of questions. First, the industrial revenues look to have fallen this quarter Y-o-Y if you do a back of the envelope calculation. So, what has driven that? And second, just a clarification. Of the INR1,700 crores top line expected in 4Q, INR300 crores is smart metering. Is that correct?

**Jairam Sampath:** Yes. So that is correct. And also, the industrial down because of less reliance on smart meter does not mean that we don't want to deliver those, but it's just that it so happened that other businesses also fired up. So, we are getting back to our old, let's say, diversified portfolio approach, wherein we have almost 4 to 5 verticals individually firing up.

So hopefully, the fourth quarter we'll have INR300 crores of smart meter, but the remaining will come from our traditional businesses, which includes railways, aerospace, automotive and other industrial, non-smart meter-based industrial, electric vehicles and so on.

**Moderator:** The next question is from the line of Praveen Sahay from PL Capital.

**Praveen Sahay:** My question is related to the order book of INR9,000 crores. Can you give some color on the segment-wise, how is the order book? Is there any concentration on any particular sector?

**Ramesh Kunhikannan:** No concentration at all. If you see how the pattern is, it is the same way because we supply to customers who are regularly doing production. So, we don't have a concentration of any, if you see our top customer is not more than even 6% of the overall turnover. And the trend is also like that only going forward also as of now.

**Moderator:** The next question is from the line of Manish Ostwal from Nirmal Bang Securities.

**Manish Ostwal:** I have only one question. Sir, last year also, we have guided INR3,000 crores of revenue and end up INR2,700 crores. And in the beginning of the year, we guided at INR4,400 crores, now we are targeting INR4,100 crores. So, when you say the \$1 billion revenue, what are the risks we are seeing which will hurt not to achieve those things? So, can you elaborate those things? It will be quite helpful to give the right expectation for the growth?

**Jairam Sampath:** No, we understand. So, while we have guided numbers for any particular period, we also said that our is not a quarterly basis. It's not as if the demand goes away and the orders are carried in the order book and then we plan for these orders anywhere between 6 months to 5 years time frame, we get the orders in.

So what happens is the orders get rescheduled. And on that, we don't have too much of control. While we can prognosticate, we can probably forecast such things. As we see current trend, I think there is a fair bit of -- let's say, it's evened out now. It's come to normalcy. And there are no postponements getting received from major customer groups. So that's why the guidance for quarterly number is not the appropriate way. There are 2 ways of looking at the company's performance.

One is a leading indicator, other is the lagging indicator. Lagging indicator is the actual billing. Leading indicator is the order book. And order book health has been good. We are growing at about 50% per annum basis, and that's the monthly order inflow. So, which is what you should consider. And at the end of the year, like we said, there's a railway product which got postponed. And being a new product, we don't want to aggressively push this through. We want to give time to all our designers to put their best foot forward so that we can get a bigger share of the business.

Earlier, we were talking about 15% of total business of things like covers. We might do better if you put a better product in the field. And it's a matter of just a couple of months, while it may look like a big sales drop, but actually speaking, no. It is just that we are taking our time to make sure that the correct product is supplied, correct solution is supplied to the customer so that we can, in future, look forward to a bigger share of the market.

**Moderator:** The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund.

- Naushad Chaudhary:** Sir, 2 data points. I want in the order book, what is the percentage of order book is from the ODM and product engineering? What would be that percentage? And what is the absolute revenue of Iskra and August in 3Q?
- Jairam Sampath:** Yes. So, the order book, ODM, as you know, smart meter is our ODM as a device, smart metering solution is an ODM product. So broadly, you can take it as about 20% of our order book contains ODM products, which are like you may expect better margin products, and they help us to do better. So that's the -- what was the second question, sir?
- Naushad Chaudhary:** Revenue share from the Iskra and August in 3Q, absolute revenue?
- Jairam Sampath:** Yes. So yes, like Rameshji had pointed out, last quarter, we do about INR300 crores of metering business. So, like we have been always saying that the percentage of, let's say, composition in terms of any particular product category like smart meter or anything else is going to stabilize at a level which does not increase the concentration or reliance on one particular product group. It is just that every year, there is a new product, a new vertical, which comes up as a, let's say, major influence for growth.
- So earlier, it used to be automotive, then it became electric vehicles, then it become smart meter and next year, will be certainly a year of where we do aerospace and railways and so on. So, from the perspective of percentage of sales for the last quarter, you will have about INR300 crores of this business coming in, which will total up to about between INR700 crores and INR800 crores of smart metering business for the year.
- Moderator:** The next question is from the line of Santhosh Seshadri from Avendus Spark.
- Santhosh Seshadri:** So my question is whether are you consciously targeting away from the smart metering business given the working capital cycle there? Is there a way to realign this business to target export markets by utilizing the existing capacity?
- Jairam Sampath:** No. So, Mr. Seshadri, we are not targeting away from any particular business. We are only changing our role into a device maker, which is our primary role. That is ODM solution maker wherein we design the product and we own the software and then we supply the device.
- Ramesh Kunhikannan:** We are only saying that we will be away from the AMISP business.
- Jairam Sampath:** AMISP -- these kind of business.
- Ramesh Kunhikannan:** But meter as a product, which we were doing it for the last 5, 6 years, we are continuing to do. We'll continue to do.
- Jairam Sampath:** And you can look forward to newer type of measurements and meters, et cetera, also in the future once we complete our trials and testing, et cetera, we will come back to and come back to you guys and inform.

- Moderator:** The next question is from the line of Meet Jain from Motilal Oswal.
- Meet Jain:** Just one question. Just to understand this lower growth in 3Q. Is there any spillover and if it's regarding to which project or which segment of our business?
- Jairam Sampath:** Yes, Meetji. So, like I said, the railway ramp-up did not happen. And as you know, railway, we have about 2 different distinct set of products. One is manufacturing, the other is ODM business. And there's a bit of a lag in both of them. So, we can look forward to this thing coming up in the fourth quarter and quarter later.
- And like Rameshji said some time back, our orders are not momentary in nature. They are part of a project. So, what happens is this gets postponed. So, we don't want to comment on specific project because we make in a year about 6,000 different products for 300-plus customers.
- So obviously, there is a kind of a mix that keeps going up and down. What we can tell you, Meetji, is that there is no significant, let's say, concentration of something which has happened, which is like a trend. So, this is a normal thing that happens in our business. That's why we always say ours is not a quarterly business. Ours is an order book business.
- And like I explained earlier, the leading indicator is the order book itself and the lagging indicator is the actual billing. Both are important, I know, but then that's how to look at this particular product. So, it's not one specific thing which has got postponed. And there's a bunch of things which got postponed, but I'm happy to tell you that all of those orders are still intact, and we'll probably do some of it in quarter 4 and a lot of it in the coming year.
- Meet Jain:** Understood. So, our guidance of this around INR40 billion kind of -- so this implies almost more than 70% growth in our 4Q numbers. So how comfortable are we in this number? Or this also includes some spillover, right?
- Jairam Sampath:** Yes, sir. So, if you ask me comfort, it is not very comfortable to grow at high rates. But then organization, which is growing and come to a stage like we have come, it does involve some little bit of pain, but it is doable.
- Ramesh Kunhikannan:** Also, there is a pressure from existing customers. Once they have allotted a vendor core, they would not like to have multiple vendors for similar type of business. They like to have larger business share given to one company. And then using that, they wanted them to get the benefit by giving larger share of business.
- Jairam Sampath:** So, we are geared up to do these numbers that we are talking about. This is how it works. It has worked in the past, and it is how this business will continue to work in the short term in the future, too.
- Meet Jain:** Okay. Just if you can give the order book mix for this closing order book, that would be helpful.
- Moderator:** The next question is from the line of Neel Mehta from Equirus Securities.

**Neel Mehta:** Sir, 2 questions. Sir, what will be your 9 months FY '26 OCF at the consolidated level? And what would be 9 months of capex? And, it will be very helpful if you can bifurcate it to capex number within the core EMS segment, OSAT, and PCB project?

**Jairam Sampath:** Neel, thanks for joining this call. So fundamentally, actually, we kind of missed scoring a goal here. We are almost cash positive in the holding company level, which has never happened in the past. A lot of effort has gone in actually behind the scenes. You only get to see me and hear me, but actually speaking, there are a lot of people working. And that is not possible to make a big company turn OCF positive in short run, but it seems to have happened that.

We are just about minus INR55 crores. We could have probably improved that too. And going forward, at consol level, we'll definitely be OCF positive by end of this year. I'm happy to help you with whatever data that is available, you can put it together and you can reach us also separately. We can explain to you how this plan is happening.

So going forward, what will happen is the throughput of sales will increase. So, your inventories and also, we are putting in place some supply chain finance activities. So, receivables also will yield results. And there are some outstanding items which we have been talking about like the other noncurrent assets. So, we will deal with that, too.

So, this year, you can expect at consol level, definitely a significant positive operating cash flow. And of course, financing activities will continue until the new projects are in place. And we are trying to make sure that these monies are invested early so that we can start reaping the benefits of the business early also because we want the newer businesses like OSAT and PC Board also to start generating cash.

And so, we are mindful of that. So, at consol level, you will start seeing OCF positive. And at total company level, definitely, FY '28, you can look forward to a significant OCF in each of the businesses, EMS, OSAT as well as PC Board. So, you will get positive cash flow in all the 3.

**Neel Mehta:** That's very helpful. And sir, what would be our 9-month capex number? And if you can bifurcate it within the EMS segment, OSAT and PCB?

**Jairam Sampath:** EMS segment, we have taken a strategy of improving the asset turnover by debottlenecking our existing investments. So as far as the 9 months and the subsequent capex for EMS segment is concerned, we may not add significant one. Some small amounts of capex we will do to make sure that the debottlenecking of lines are done and we start getting better asset turnaround.

So, for whatever numbers we have committed, we are not going to implement any more capex in the EMS business. Other businesses, there is already a DPR, the INR3,200 crores is the total capex for OSAT, INR1,400 crores is the total capex for PC Board. And OSAT, Rameshji mentioned saying that no FSA has been signed. So, we are assured of that's 50% central and 20% state government subsidies on the allowable capex.

And similarly, here also in the PC Board also, we have got the factory going, and we have received written commitments from government on how much state will give. And then as part of the other earlier program, ECMS program now, there is a subsidy available from central government, too.

So, as far as the capex is concerned, it's a moving number. We would like to implement as soon as possible. We don't want to keep it in FDs. So, you can take broadly in this year, maybe about another INR400-odd crores of capex will be spent. And in the coming year, we would like to do at least the Phase 1 completely.

That means we'll spend about cumulatively INR1,400 crores in the PC Board business. And then, of course, the OSAT business, the Phase 1 will get completed that is about INR1,700 crores, INR1,800 crores of capex. And then we will start adding further capex maybe in FY '28 and towards the end of FY '27.

So, it's not a fixed number. As soon as we reach a milestone, we would like to implement the capex. So to cut the long story short, we are not going to come back for any QIP or something we are adequately funded. And most of the business will start generating cash also by FY '28. So, we are sure that we are able to fund without any dilution of our delivery in other parts of the business. Individually, businesses have been funded well.

**Moderator:** The next question is from the line of Viral Shah from ENAM Holdings.

**Viral Shah:** Sir, just a clarification. You guided for the full year, the smart metering business should do around INR700 crores to INR800 crores of revenue. So sir, going into the next year, how are you looking at this number?

**Ramesh Kunhikannan:** Going forward, this number will be going up because there are many AMISPs who will have to buy from people like us, people like Schneider, who are supplying as devices. My own peers are also supplying meters as devices. So the market demand is so high for the next 4, 5 years, year-on-year, there will be a growth of around 30%.

**Jairam Sampath:** Yes. And also, one more thing is that, like I said, in our business, there are different streams of businesses which are targeting a little higher than what we have realized. Please don't go by this quarterly number this year. This year, I'm sure the peers and everybody has encountered some headwinds and all that. But all of those are getting resolved now.

And in the coming year, you can see growth in smart meter too. But then that will not increase our receivables or any exposure to, let's say, long-winded receivables. It will be like a device maker. And like Rameshji said, by itself can grow at about 30% where the company will go certainly larger than that.

**Viral Shah:** Sure. Understood. And just my second question is on -- sir, did you share the YTD capex number? I remember you saying INR400 crores will be spent in Q4. What would be the spend so far in 9 months?

**Jairam Sampath:** I can share that separately. I'll just get the actual number done. But the only thing is, in principle, what we are saying is that we would not like to keep this money in the fixed deposits. We'd like to implement on a time line basis. So as soon as the milestone is received, we'll take the next step so that the businesses can start delivering cash flows earlier. So, I'd be happy to clarify that offline separately if you want to do an accounting of this exact capex that has happened and so on. So, we will get you that number. We'll publish that for everybody's benefit, not a problem.

**Moderator:** The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund.

**Naushad Chaudhary:** Clarification on the previous question as our ODM and product engineering order book is 20% of the total overall order book. And does that mean incrementally the gross margin should be in pressure because if I look at last 3, 4 quarters, the ODM and product engineering revenue share were quite high versus 20% of current order book?

**Jairam Sampath:** No, you would not see much difference because the order book contains orders for those that we visibly see. Something like Kavach and those kinds of things are still yet not added to the order book because we need to get the final revision of product in the field first before we can recognize that order.

So there would be opportunities. The 20% comment was basically the minimum amount of ODM business. And that's not the limit. Like we said, there are some orders which come in for 6 months. There are some orders which come in for 1 year, 1.5 years early and then some orders are there 5 years hence too. So you can look forward to this number increasing.

And we will see, we will also get orders during this Jan, Feb and March. And they have to be executed perhaps in the coming year sometime when the new version of this railway product that we are talking about is done, then we would take up the orders of these and then start recognizing that in the order book, too.

See, order book means the moment we say order book, that means it's a commitment for us to deliver. And we have to make arrangements for the material. That's how we actually make our money by giving the orders early to the suppliers and trying to get the targeted gross margins.

**Naushad Chaudhary:** Based on the order book number, should we assume that ODM revenue share should remain around 20% of the overall revenue for next 1, 2 years at least?

**Jairam Sampath:** No, it will be higher, sir. The things like Kavach will start coming in. So, they will come in chunks. So, it will be higher than that. I'm saying what currently in the order book is a minimum. That's something committed already. Once the correct version of Kavach is there in the field, we'll start buying material for that, and we'll start recognizing the orders in our order book. So that's a minimum. It can go up by about 5%, 7 percentage points going forward.

**Naushad Chaudhary:** And on those only, sir, your ambition of taking it to 40% by '30, do you count your OSAT and PCB into your ODM? Or do you count that separately your pure EMS business should go to 40% ODM?

**Jairam Sampath:** Okay. Now it's a little tricky to say whether EMS business by itself will only will grow at that number. While we are making all the attempts and all the products that we are talking about and all the newer ODM and solutions that we are doing, if that is in place, then the EMS itself can give you growth.

So, in FY '28, if you see \$1 billion, we might be targeting more than that actually, while we may deliver \$1 billion, but we'll target more than that. So OSAT and PC Board businesses also, at least minimum reliance is there, we are saying INR1,500 crores and about INR1,000 crores from the other business, PCB and INR1,500 crores from OSAT.

But then we might do a little higher than that. And we might do a similar number over to a similar number in EMS too. So let me put it this way. While we are target for individual businesses will be higher. At a consol level, we'll definitely deliver this number of \$1 billion. That's what we're doing.

**Naushad Chaudhary:** I'm sorry. Sir, my question was to our 40% ambition of overall business making ODM and product engineering. In that 40%, do we count the OSAT and PCB?

**Jairam Sampath:** No. OSAT and PCB are different businesses. They are not part of ODM. There is a part of ODM and OSAT too, which is like test engineering and all that. So that is a services business that is different. That's not counted in this 40% target.

**Ramesh Kunhikannan:** OSAT is similar to our PCB assembly business. PCB is a little more process-oriented business.

**Jairam Sampath:** Yes. But, he is asking about this target of ODM. So, it's based on EMS only, not based on other 2 businesses. Other 2 businesses, we may have to reconstruct the name comment a little bit so that we clarify better.

**Moderator:** The next question is from the line of Aditya Bhartia from Investec.

**Aditya Bhartia:** Sir, just wanted to clarify on the operating cash flow point. You're saying that we'll still be operating cash flow positive for the entire year. Because when I look at both inventories as well as receivables, those have gone up very sharply versus last year. So, we'll have to kind of recoup a fair bit of loss around in fourth quarter. So, have I understood correctly that operating cash flow positive for the entire year and not just for fourth quarter?

**Jairam Sampath:** Yes. It will be certainly for the fourth quarter because the numbers are higher, but our target is consolidated for the whole year, we will be operating cash positive.

**Aditya Bhartia:** Okay. And sir, the other clarification that I required was on the core business growth that you spoke about of around 40% for 9 months. Given that last year, we had Iskraemeco only in second half. So, INR500 crores was essentially split between third quarter and fourth quarter. And this year, in first half itself, we have done roughly INR500 crores, even if we assume no further revenues came in, in third quarter, even in that case, it's difficult to see how core revenue growth

without Iskraemeco could have been more than 20% in 9 months. So where am I getting the calculation wrong?

**Jairam Sampath:** No, you're not getting any calculation wrong. It is just that we are executing other orders, too. Out of this INR9,000 crores order that is there on hand, the quantum of smart meter orders is just about 20%. The remaining pertains to EMS business. So, we are getting those businesses also fired up in the fourth quarter.

Automotive, for instance, there are many new clients. EV, there are new clients and there are new products. Industrial non-meter-based products are there. Then there is railway other than Kavach also, there are businesses that we are working on. Aerospace orders have been hanging fire for a long time, sitting with us. So, there are orders available in every one of these segments, which are actually going to contribute. So, we are not dependent just on one particular thing to fire up.

**Aditya Bhartia:** Sure. That's a fair point. So, this 40% growth number that you gave was for entire year, not for 9 months, 40% growth without Iskraemeco?

**Jairam Sampath:** Yes, sir. Even for the 9 months, it is probably correct. We reconcile this number and ship it to you.

**Aditya Bhartia:** Yes, yes. Sure. Because for 9 months, it appears that it should be less than 20% or around 20%. That's why I wanted the clarification.

**Moderator:** Due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

**Jairam Sampath:** Yes. So, first of all, many thanks to the Axis Capital team who have organized this call and all the participants who have taken time off in a working day and so on and then listen to us. And you have been most helpful in terms of your analysis and looking deeper into our processes and all that. And we hope that next time when we meet, you will probably see an improved delivery of whatever promises that you have seen and whatever expectations that you have.

And we, as a company, also would probably share over the next 2 to 3 months' time frame, some more good news about the way business is shaping up, not merely in the existing businesses, but also in the new businesses. And Rameshji, do you have any final comments?

**Ramesh Kunhikannan:** No, Thank you for your participation, and we are still reiterating whatever we have claimed, we will be doing.

**Jairam Sampath:** Thank you.

**Ramesh Kunhikannan:** And there will be some hiccups here and there. But overall, you'll have to look at a longer picture than one quarter.



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**Jairam Sampath:** Near a quarter, yes.

**Ramesh Kunhikannan:** Thank you.

**Jairam Sampath:** Thank you very much.

**Moderator:** Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.