



“Kaynes Technology India Limited  
Q4 FY '25 Earnings Conference Call”

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**MODERATOR:** **MR. CHIRAG JAIN – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the earnings conference call of Keynes Technology India Limited hosted by Emkay Global Financial Services Limited. 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. Chirag Jain from Emkay Global Financial Services Limited. Thank you, and over to you, sir.

**Chirag Jain:** Thank you, Elarik. Good morning, everyone. On behalf of Emkay Global, I would like to welcome you all to the Q4 and FY '25 Earnings Conference Call of Keynes Technology India Limited. We have the management today being represented by Ms. Savitha Ramesh, Chairperson of the Board; Mr. Ramesh Kannan, Managing Director; Mr. Jairam P. Sampath, Whole-Time Director and Chief Financial Officer; Mr. Rajesh Sharma, Chief Executive Officer.

At this point, I will hand over the floor to the management for their opening remarks, post which we will open the floor for Q&A. Thank you, and over to you, sir.

**Ramesh Kannan:** Good morning. I am Ramesh Kannan, Managing Director, Keynes Technology India Limited. Good morning, everyone, once again. On behalf of Keynes Technology team, I would like to welcome everyone to the earnings call for Q4 FY '25. I have along with me Mrs. Savitha Ramesh, our Chairperson of Board; Mr. Jairam Sampath, our Whole-Time Director and CFO; Mr. Rajesh Sharma, our CEO; and Mr. Sumit Verma, our Investment Relations Head; and MUFG Capital, our Investor Relations partners.

I am pleased to inform you that we have been able to achieve a consolidated revenue of INR27,218 million for FY '25, which represents a strong growth of 51% year-on-year. The consolidated EBITDA of INR4,107 million for FY '25 and EBITDA margin, excluding other income for the year FY '25 was at 15.1% and PAT margin was at 10.8%, which were higher by 101 basis points and 62 basis points, respectively, on a year-on basis.

Coming to our performance for the quarter end Q4 FY '25. Our total revenue was INR9,845 million, which signifies a growth of 54% year-on-year basis. Our Q4 FY '25 operational EBITDA was INR1,679 million at 76% year-on-year corresponding quarter of the last year. Similarly, the PAT was INR1,162 million at 43% year-on-year basis.

We are projecting a significant acceleration in revenue growth in the coming years, as mentioned in our previous quarter earnings call, positioning us to be a leader in the industry growth. The same can be reaffirmed from our consistent order book growth from INR41,152 million in Q4 FY '24 to INR65,969 million in quarter 4 FY '25.

We expect to sustain this profitable growth and continue to work towards improving efficiencies. As we move forward, we expect on all-round growth in all business verticals, especially with

newer clients in EV and aerospace vertical. This reflects our commitment to a business portfolio with robust growth, profitability and diversification.

Our construction for OSAT plant in Sanand, Gujarat has already started along with construction for HDI PCB plant in Chennai. Both the plants' construction is in full swing, and we are in line with meeting the deadlines of completing the construction by year-end.

Our majority stake in Sensonic, a global AI-based rail network safety solution company, positioned us to capitalize on the electronics and technology upgrade in the railway sector. Kavach development program is on schedule with POC completion expected by midyear. With our recent acquisition of August Electronics in Canada, we have strengthened our North American footprint, added manufacturing capability in Canada and large high-margin customers.

Following this acquisition, we are well positioned to present a compelling opportunity to these customers more comprehensively, positioning the Canada-India alliance as a strategic alternative to China-based sourcing. We are continuously looking to add new capability and geographies through a mix of organic and inorganic strategies.

With this, I would like to sincerely thank each and every one of our excellent investors for their encouragement so far in our journey and expect continuing support in the future, too. Thank you all once again, and we look forward to exciting times ahead.

I will now hand over the call to Mr. Jairam Sampath to take you through our financial performance. Thank you once again. Jairam, over to you.

**Jairam Sampath:** Yes. Thank you, Rameshji. This is Jairam Sampath here, Whole-Time Director and CFO of Keynes Technology. Thank you all for joining today's call as we start a new quarter. I'm quite excited to share Keynes Technologies' financial results for the period ending FY '25 and share with you the highlights of the same.

For the quarter ended March '25, our consolidated total revenues from operations were INR9,845 million, representing a 54% year-on-year growth. For the 12 months ended March 2025, consolidated total revenues from operations were INR27,218 million, representing a 51% year-on-year growth.

The consolidated EBITDA at the end of Q4 FY '25 was INR1,679 million, showing a 76% year-on-year increase, while for the full year FY '25, it was INR4,107 million, which was up 62%. The EBITDA margin for Q4 '25 quarter and FY '25 stood at 17.1% and 15.1%, respectively. This trajectory of expansion in margins is expected to continue during the coming years, too.

Our consolidated profit after tax for the quarter was INR1,162 million, up by 43% year-on-year. And the PAT margin at the end of the quarter stood at 11.8%. Our consolidated ROE --

consequently, our ROE and ROCE adjusted for unutilized portions of proceeds of Q4 FY '25 is at 19.4% and 19.2%, respectively.

Our order book surged from INR41,152 million at the end of Q4 of FY '24 to INR65,969 million at the end of Q4 FY '25. On a sequential basis, the order book grew from INR60,471 million in Q3 FY '25 to INR65,969 million in Q4 FY '25. The average monthly order inflow has grown handsomely from INR4,285 million per month in Q3 FY '25 to INR5,114 million per month in Q4 FY '25.

Net working capital days for the year 2025 were at 87 days, while the inventory days improved from 97 to 91 days. We are committed to improve the net working capital this year with a long-term plan to work with our suppliers to have lower inventory days. We are working with different long-term strategies like supplier-managed inventory, resource -- recourse-free factoring and better production planning and scheduling, and we hope to improve the working capital days significantly during FY '26.

The construction of our OSAT project in Sanand, Gujarat and our HDI PCV project in Chennai is in full swing, and we are projecting for the construction to get completed by the end of 2025 calendar year so that this year, we will have some revenues coming in from both the new investments.

We are also signing up clients for significant capacity utilizations in both of these subsidiary entities. Also, our acquisition of companies like Sensonic, and our new subsidiary, Keynes Space Tech are a few steps by our company to lead the sector into newer technologies from electronic space. We will continue to identify opportunities which can keep Keynes evolve as a global player in electronic sector.

Our key strategies include growth in new geographies through organic acquisition, strengthening our ODM capabilities and deepening our technology footprint in manufacturing. During the year FY '25, we have taken significant steps to further our strategy implementation. We once again place on record our deep appreciation for the support of our customers, shareholders, analysts and governmental agencies for providing us with a good growth platform.

We would like to thank Emkay for hosting this earnings call and would like to thank all the participants for committing their valuable time for attending this call. Now I hand over the mic so that we can ask questions. Thank you.

**Moderator:** The first question comes from the line of Vipraw Srivastava from PhillipCapital.

**Vipraw Srivastava:** Sir, firstly, on the cash flow from operations side, the one line item, which is other non-current assets has gone up, and that's why CFO has become negative. What's that line item dealing with specifically? And how do you plan to tackle it in next year?

**Jairam Sampath:** Yes. So if you noticed our working capital, net working capital also has gone up from I mean, it has not come down as much as we expected despite reduction in inventory. So this is a business that we acquired in our subsidiary in the industrial area, and they had orders with pre-agreed contract conditions, which we have to honor.

So this total quantum of this is not very significant. Future orders in that subsidiary are all going on a full payment basis. So this particular thing has got delayed payment. So the way we have found a way for funding this through annuity funding through some of the banks, which we'll implement in the coming quarter.

So going forward, the effect of this will slowly reduce. And over time, I think by the end of the year, this will not be any significant number. Yes. Why at the current assets? Because the payment term itself is deferred for this particular order. So over time, when we start getting newer orders, which will have clear payment terms, which are within, let's say, 90 and 120 days. So in which case, this quantum will keep reducing as a percentage of total.

**Vipraw Srivastava:** Right, sir. And sir, a follow-up on that. So this payment we have made were made to the DISCOMs or to whom you have made these payments?

**Jairam Sampath:** No, no. These are all AMISP payments only. The terms were different. Once we took over this company, we have now started -- yes, we don't any more work as AMISP, but as a device manufacturer. So this transition has taken a little bit of time, and we have to honor all the orders that are already there. So I think from that perspective, I was talking.

**Vipraw Srivastava:** Right, sir. Secondly, sir...

**Moderator:** I'm sorry to interrupt, Vipraw, that was your question. If you have any more, please rejoin the queue. The next question comes from the line of Praveen Sahay from PL Capital.

**Praveen Sahay:** Many congratulations on good set of numbers. My question is related to the order book. So order book has increased to around INR66 billion. If you can give some indication from which segment the order flow intake were on the higher side. And secondly, that's the sustainability of the high margin, which you reported this year or this quarter, how that will be with the new order flow?

**Jairam Sampath:** No, absolutely. So this INR6,500 crores odd of orders, which is staying in the order book, the increment has come in aerospace, industrial and automotive. And these are margin-accretive orders. I'm unable to give you exact details, but suffice it to say that the order book today contains orders which are higher margin than what we are delivering right now.

Only thing to note is that this order book will get executed over 1.5-year time frame. So not all of the orders will get executed in the coming FY '26. So the order inflow to tell you honestly, is very, very healthy. And most of the orders that come in are at a margin accretive kind of situation.

**Praveen Sahay:** Okay. So margin, whatever you delivered is going to continue or improve from here, the type of orders basically?

**Jairam Sampath:** Yes. We have already made our operating plan for the coming year. And we hopefully will grow from last year in terms of growth rate. And we also completed the kind of margins that are likely to be there. So we are going to have also margin expansion.

**Moderator:** The next question comes from the line of Deepak Krishnan from Kotak Institutional Equities.

**Deepak Krishnan:** I hope I am audible. Just wanted to check two things. On the PCB front, we are going for the expansion on our own. Will we also participate in the component PLF of this? And the second thing, if you could sort of highlight the financials of August Electronics, what you've acquired as well as your venture into space, what is the thought process be getting into payloads and all of those aspects?

**Jairam Sampath:** Yes, yes, sure. So as far as the high-density PCB is concerned, we have applied into the ex 2.0 as it were, and we are likely to get the PLI there. But we depend more on the capital subsidy. And as far as PC board business is concerned, our profitability does not depend on the PLI, but on the kind of quality of customers that we have.

And we already have at least five customers who are in serious talks and one of them has given RFP, which we are responding to. And a significant portion of our capacity once it is formed, will be already booked by the time the plants come on stream.

So as far as August Electronics is concerned, without giving you an actual breakdown, the margins are better than -- in terms of EBITDA are better than our consolidated margin. And we have a business which is quite large, say, about CAD 57 million or so is the kind of business, and we're likely to grow also very well. We are one of the premier vendors in Canada.

And Canada itself has got a huge potential to grow this particular business. So we expect that the growth will be margin accretive and also significant, and it will strengthen our presence in the North American geography. As you know, a lot of, let's say, encouragement is given by government -- local governments there in North America to do production in North America.

And also, this is adding to our ability to get orders either to going to China because of these kind of connections. And these set of customers that we will be serving are completely new, and there are no common customers at this point in time.

**Deepak Krishnan:** Just on the kaynes space tech subsidiary.

**Jairam Sampath:** Yes, space. This is -- so we've been a strategic partner for ISRO for more than a decade, and we have participated in most of their prestigious missions and all that. So there are 2 parts to this. One is our ambition to really be part of the technology evolution that ISRO is bringing. And as you know, even in recent defense technologies and other things, ISRO is at the forefront. So we wanted to strengthen the partnership.

Second, the space by itself offers huge opportunities in terms of satellites, which can be micro, mini or regular satellites and even launch vehicles and so on and components thereof. We've also set up significant capacity and a subsidiary called Keynes Mechatronics. So our objective is to make sure that the space tech will become a premier vendor for supply of all the parts.

And also, we probably can also attempt to launch satellites into the space. But we restrict ourselves to high-tech manufacturing, which is our area of interest. And we think that this will also grow at a high rate, and these are, of course, a reasonably good margin compared to the current consolidated EBITDA.

**Moderator:** The next question comes from the line of Siddhartha Bera from Nomura.

**Siddhartha Bera:** Congrats on a good set of numbers. Sir, first question is on the given the very strong traction in the order book, would it be possible to highlight given this traction, what is the sort of numbers you are targeting now for the next 2 years for the EMS business as of now? And what segment will be the key driver? Will it be again smart meters? And what will be the contribution, if you can share?

**Jairam Sampath:** Yes, yes. Siddharthaji, thank you for your question. So in terms of growth numbers for our consolidated numbers this year, we can safely say that minimum 60% growth will be there in operating revenues. And we also expect about 50 basis points expansion in our EBITDA numbers, too.

Now the basic reason for this is that the orders that are coming in are in areas such as industrial, which is, of course, smart meter, then aerospace and then also areas like automotive. Especially we now have orders from some of the top 3 Tier 1 companies and a significant amount of export is also likely to happen.

So over the next 2 years, you will see quality of our portfolio increasing. And the bulk of the order book that today has, has an EBITDA profile likely to beat our consolidated EBITDA what we have done this year. So hopefully, the trend will continue.

As you know, over last quarter to this quarter, there has been a significant improvement in the monthly run rate of orders being booked. So we think this trend will continue to. There are many orders which are there in the pipeline. So answering your question, I think we can expect a strong growth in business over the next several years.

**Siddhartha Bera:** Got it, sir. And second, sir, on the capex side, we are doing close to INR950 crores last year. So what is the capex you're looking at for this year? And within this, what will be for the EMS business and what will be for the OSAT and PCB segments, if you can just break it down?

**Jairam Sampath:** Sure. So for EMS business, I think we will do whatever the maintenance capex that's required, and there are a few lines which have to be completed, etcetera. We already have all the capacity.

It's just a matter of making them work more efficiently and so that we can have better asset turns, and we are aiming to do that.

As far as the bulk of the capex is concerned, it is going into new projects, which is our semicon and HDI PCB. And so without putting a specific number, I think we will try and finish the first phase in both the areas. It will be a significant amount of capex. We will probably share that separately.

And so this year's planned capex we'll make sure that we start doing business in PC -- HDI PC board in the last quarter as well as the semicon in the last quarter of this year. So that's how we are thinking. And then, of course, FY '27, we will do -- we'll complete all the capex for semicon and PC board.

So just to remind you, the total capex for semicon is like INR3,400 crores and total capex for PC board is about INR1,400 crores. So between this year and next year and maybe some little spillover will be there. We will complete this capex. And then so that by FY '28, we can have significant capacity utilization in the newer businesses. As far as EMS is concerned, I think it's almost now on a self-sufficient mode.

And whatever we generate from the operations that is sufficient. This year, we will, of course, squeeze out more sales out of the assets already established. And for the coming year, we will, probably in the second half, add some little thing. And then, of course, there are subsidiaries which have been added and so on. So I think in terms of capacities, I think we are somewhat ahead of the demand so that we will not have trouble in execution.

**Moderator:** The next question comes from the line of Nitin Arora from Axis Mutual Funds.

**Nitin Arora:** Sir, just one question on the recent acquisition what you did. Can you throw some light how scalable this business is? What are you thinking about the potential of revenue and profitability from this business? And also, if you can talk about any further acquisitions, what you are articulating in this space.

**Jairam Sampath:** Nitinji, thank you for your question. So as far as the August Electronics acquisition is concerned, this is one of the premier vendors and quite healthy order won. EBITDA margins are numbers are better than in terms of our consolidated as of now. And we have seen their future plans for the next 5 years, and they are likely to grow at about 15%, 20% on their own.

And with us taking over and putting our sight into it, we might get a spillover business from Chinese business transfer to India because most of the customers who do business with August Electronics, they have significant purchases from China, too. And already, some of the customers have looked at our facility and so on, and they are quite convinced that we can be a good supplier for them.

So broadly, upwards of 20%, 25% of growth. You can expect 20% growth, at least you can expect in the geography there itself and another 5%, 10% of spillover effect to our business in India. And these are all customers qualitatively pretty good margin and large customers, global players.

They belong to areas like petrochemical, energy, medical, instrumentation and those areas where we don't have huge customer base. So they are going to be both, in terms of quality of business, revenue accretive as well as the margin accretive in their approach. So this is what we expect. What was the second question, Nitin?

**Nitin Arora:** Any further acquisitions you are looking at it? And given this acquisition, you think you'll be able to fund internally? And for the further acquisitions, how are you thinking about it? And one comment on the OSAT, if you can also talk about what are the developments there?

**Jairam Sampath:** Sure, sure. So as far as first acquisitions are concerned, it's our stated position that we have a 3-pronged strategy. One is geography expansion with local basis of production. And then, of course, we take whatever collateral benefits into India, wherever those customers have some manufacturing going in China, too. So this is like China plus U.S. will become India plus U.S. kind of strategy, and we will certainly acquire.

Financing, we don't have any intention right now. We also announced our approval from our shareholders for the QIP. So some of those proceeds can be also used. So we are looking at what we can, let's say, synergize, ensue and digest. So that's an important part of our business. So whichever gets straightaway added synergies to our business is what we are taking. So some of these acquisitions will be short gestation period and they'll start yielding revenue and profits immediately.

As far as the OSAT business is concerned, we -- I think the building construction is going on. We've got signed all the agreements with our collaborators, etcetera. And very shortly, the agreement with the government also gets signed. And of course, approvals have been also in place. And so we will have probably the first chip coming out sometime, if I'm not mistaken, in the second quarter or at least early third quarter.

Third quarter, I think you can fairly expect the first production to happen. And then fourth quarter, we'll have reasonable production happening. We have a couple of customers who have committed capacities too. So when we exit this year, we will have significant amount of capacity committed by some reasonably good customers.

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

**Aditya Bhartia:** Sir, my first question is on capex, wherein we have spent almost INR8 billion in the stand-alone entity itself, which compares to roughly INR1.3 billion last year. So just wanted to understand what was the nature of this investment? Where exactly was it spent? And how much

incrementally would have gotten spent on OSAT and PCB given that out of the QIP proceeds, it appears that quite a bit is remaining unutilized.

**Jairam Sampath:** Correct. So fundamentally, for OSAT and PCB, we basically bought the land and then some initial building work was done, land development, etcetera. So that's the extent of money that went into that. Of course, you have committed some more money in terms of ordering, etcetera, of the things.

As far as the existing business is concerned, we have completed our Chamarajanagar facility, which is a fairly global facility, wherein we have got a couple of exclusive zones for some large customers. So they had made some specifications because they are looking at us for \$1 billion-plus kind of businesses over the next 5 to 10 years' time frame. So we have completed that. The bulk of it has gone into basically developing customer-exclusive EMS facilities.

So they are fungible facilities, but there will be a higher grade because most of these customers deal with aerospace and some other high-tech sensor electronics and so on and so forth. And we also probably this year will further augment it by adding one more very large global client, which we have acquired -- which we are in the process of acquiring as a result of our acquisition in Canada, too. So -- yes, so these are all going into EMS business, traditional EMS business with high-value, high-tech, high-margin products.

**Aditya Bhartia:** Sir, does that mean that the initial capacity that we had planned at Chamarajanagar for which we had raised around 1.5 billion at the time of the IPO, the current shape is much, much larger than what was initially envisaged. And does that also mean that incrementally, our asset turns are going to be lower given that if we look historically, we used to have a fairly small gross fixed asset base and asset turns used to be extremely high.

**Jairam Sampath:** Yes, yes. So as far as the original IPO money was concerned, that part of it went into clearing debt and so on and so forth. Not all of it tied to the gross block actually. So answering your question, yes, earlier, we were very efficiently using because we lacked the capacity, let's say, capital to actually deal with large clients.

So the way in the large client business works is that you discuss with them and then make the facility work and then they come and audit the facility and then they satisfy themselves that they can build all their global purchases, they can build it here. And that's what we have done. And all of those are all targeted investments. And since now that we do have a slightly easier access to funds right now.

So that's why we are able to cater to larger clients, larger clients with more high tech, more long-standing businesses and better margins, too. So in the interim, maybe a couple of years, the asset turns will appear to be lower, but then that's cost of business, right? As you see, the order book is increasing. So this order book increase is primarily due to the fact that we are now getting recognized by a lot of large guys who give us long-term business.

In fact, the order book that we have published is only 5 years order book, and we do have significant amount of orders beyond 5 years, but we don't normally publish beyond 5 years. So beyond 5 years also, we have confirmed orders from customers. So obviously, when customers start taking a long-term view of you as a supplier, then you also need to reciprocate by building capacities and then those specific things that they require. Suffice it to say that in EMS, most of the infrastructure, 90% is fungible.

But they still need to see it available for them because then they shift significant capacities from places like China, etcetera, these are all, let's say, hundreds of millions and billions of dollars of contracts. So obviously, they would like to be sure that we do have the -- not only the intent and not only the ability, but actually the competence and the capacity on ground. So that's when they will shift them.

**Aditya Bhartia:** Understood, sir. That's helpful. Just one last question, if I may. When you had acquired the smart metering business, you had indicated that, that should be contributing roughly 10% of revenues. And from that context, the increase in other current assets that we have seen appears to be fairly large. So how is the accounting being done? Is it in respect of some of the revenues that have been recorded in the past as well that we have assets that are recognized on the books?

**Jairam Sampath:** Yes. So basically, the other current assets are those receivables, which are termed to be received later. They are not overdues, which we have agreed for a later -- so when we acquired this subsidiary company, we had two parts of business. One was the metering business, the device business, and then there was something like AMISP business, wherein the installation, etcetera.

And also one more part of the business, which we've not talked about yet, but then that is going to add margins to us is software because these companies -- this company has a significant amount of software solutions in both meter data management as well as high-end software, wherein there is no cost associated.

So we made a reckoning in thinking that, yes, when we acquire an order, they already -- we have to service those orders and those orders had certain clauses of money being collected over extended periods. But future orders, we are making sure that we become more device-centric and our orders will be like 90 to 120 days kind of collection period. So we don't think that this will balloon up significantly.

And for whatever amount for the current that we are talking about, we are also trying to fund annuity funding. So looking at if we can do it without -- by factoring it on the customer because our contracts are clear and clean. So we will let you know maybe second quarter or so if we are working with a few banks and NBFCs. So let's see when we will get there. So this is not going to cause us any distress, but this is necessary part of the acquisition.

**Moderator:** The next question comes from the line of Keyur Pandya from ICICI Prudential Life Insurance.

**Keyur Pandya:** Sir, two questions. First on the PCB and OSAT business, you talked about OSAT first in Q3. When should we see for both of this business, say, more commercial kind of revenue flowing through, if not full utilization, but say, 25%, 30% kind of utilization, when should we see that? So what are the time lines? I just want to understand for both of this business.

And second question on the core business, FY '25 gross block ballpark should be around INR650 crores. Now in that backdrop, this around INR700 crores plus kind of capex in the stand-alone entity. So is it at a more higher cost or it is going to increase your capacity by 2x? Just want to understand basically in the core business, what would be our gross block, say, by end of or mid of FY '26 and what kind of revenue it can generate? Any change in asset turn, etcetera?

**Jairam Sampath:** Yes. So as far as FY '26 is concerned, even if we did not add any further...

**Ramesh Kannan:** The first question, I will take. The second question you take.

**Jairam Sampath:** Rameshji, please. Yes.

**Ramesh Kannan:** Yes. The first question, let me answer, Keyur. What we are planning to do is get all the validation that the real building start from next financial year. Why? Because for validation itself, they will take around 3 to 4 months. Our plans is to do the trials in the pilot lot building by July, August. From there, one after the other, one semiconductor at the time we wanted to do. And then this year, we are planning to take around 6 models.

Towards the end of the year, there is a likely chance of some building happen. But otherwise, the next year will be a full year for building. When it comes to PCB, same problem. These boards after doing our trials and everything, this factory should be ready somewhere in November, December for full production. And then we need to do all the trials. So it will take 2 to 3 months. So basically, the large portion of the building we can get only next year. Considering all the timing required for validation, we have scheduled it like that.

**Jairam Sampath:** And regarding the gross block, I think this year, we will improve our asset turns because most of the facilities like the Chamarajanagar 1 will all start working at much higher capacity. So even if we did not add any more capacity, this year's numbers, we can very easily do FY '26 numbers. And by actioning this, we will have some spare capacity. As you know, earlier also we have said, the moment we reach a 70% kind of capacity utilization, you need time to go for newer capacities because global players would like to see free capacity for any business that they transfer from other places.

So this is good news only. A little bit of lower asset turn is good news in this business because that means that we have committed customers who are likely to give us business. And that's when we keep it. Earlier, we run it chock-a-block, almost 6 or 7 turns of assets we should do. So maybe 3, 4 years' time frame, we will get to that number, a little higher number, let's say, 5 or 6 the assets are.

Till that time, we'll do some minor capacity additions every year. So in this business, about 7% of turnover of EMS typically can give us the kind of number to grow at about 50%. Maybe so FY '27 onwards, 7% of turnover, so whatever that number is, let's say, four, three or whatever, so about INR300 crores, INR400 crores of investments we do within FY '26, second half and first half of FY '27. So that will grow at about 60% the EMS business and so on.

**Keyur Pandya:** Okay. Just one question, if I can squeeze in...

**Moderator:** I'm sorry to interrupt, Keyur. Those were two questions. I would request you to join the queue back. The next question comes from the line of Akshay from Ask Investment.

**Akshay:** Sir, what led to our shortfall of -- some shortfall of our previously stated revised guidance of INR2,800 crores? And are we confident of achieving INR4,500 crores in the current fiscal year? And also our other expenses in this quarter jumped up sharply from INR31 crores to INR101 crores, and it was INR52 crores in the previous quarter. So what led to the sharp jump in other expenses?

**Jairam Sampath:** Yes. So I'll answer your first question first. So fundamentally, I think in our Q3 call also we had explained that there was a delay in execution of our smart meter business because we had a large number of orders, and this is a new facility in Hyderabad. Now we have overcome that, and we are quite confident.

What we are saying is 60% minimum. So 60% minimum growth will take us to about INR4,350 crores or so. And if everything goes well, we'll certainly exceed that number with a much expanded at least 50 basis point expansion in our EBITDA numbers. That's the kind of planning that we have for FY '26.

Now what was the second question that you asked? You asked about other expenses, if I am not mistaken. Yes. So some of the other expenses could be due to reclassification of certain consumables and so on and so forth. So maybe over next -- last 4 quarters, some reclassification of consumables, which normally should be part of bill of material was not like it was shown separately and so on and so forth.

More detailed one, I can probably ask somebody from finance to share with you because it has more to do with reclassification than to increase in cost. Yes, of course, employee costs have fared higher because we -- like we said, we are currently buffering up the capacity, preparing for some 2 or 3 global engagements in the FY '26. So in terms of other costs, there are no major cost increases. It is just some reclassification.

**Akshay:** Sure, sir. And sir, recently, government ordered some fast track deployment of new satellites after the India-Pakistan conflict. So does it provide some opportunity for us because the time line was 3 to 4 years, but now they have reduced to just 1 year?

**Jairam Sampath:** Yes, sir. So we have, of course, formed a space tech venture, and we'll keenly look at in what way we can contribute towards nation security and abilities in that space. And we have got some very good scientists who have worked earlier in government ISRO, etcetera, to spearhead this thing. So keep yourself tuned to our announcements. I think we are working very hard to make sure that we participate in the next generation of technology development for the country.

**Moderator:** The next question comes from the line of Deepak from Sundaram Mutual Funds.

**Akshay:** Jairam, sir, my question is regarding your margins. So what would be our core EMS margin, let's say, for Q4 FY '25 and for the whole year FY '25? Because if my understanding is correct, there would be some employee expense and other expenses, which will be related to OSAT and base PCB business as we're expanding that too. So I just wanted to understand what is our core EBITDA margin for FY '25 and Q4 for base PCB business?

**Jairam Sampath:** So our core margins are reflected in our consol only. See, the expenses which are incurred in development of the project, etcetera, pre-op etcetera, they get capitalized actually, okay? So a major amount -- of course, the corporate level expenses, supposing we do have some people joining at the corporate level. So that increase is there. And like I said, I think in answer to some of the questions earlier, we do build capacities ahead of time.

So constantly, we'll have a quarter worth of additional capacity before the work starts because global players don't want to risk giving orders to a company which does not have ready capacities because for them \$100 million, \$200 million, \$300 million kind of businesses, they don't want to take any risk with the new supplier. So to that extent, this year, FY '26, we are saying that core business will yield another 50 basis points, so about 15.6% EBITDA.

So maybe the seat number is somewhere there, maybe another 40, 50 basis points over time. But I'm afraid that we'll keep building capacities and incurring slightly higher expenditure for future growth of business. So you can take around 15.5% to 16% as the kind of number in the core business. And of course, the subsidiaries, etcetera, which we acquire, yes, they may add -- we are making sure that we take an augmentative kind of addition and not any business which is lower than our existing EBITDA. So they may also pull the vector upwards in 3, 4 years' time frame and the quantum of business is significant.

**Akshay:** Okay. So 15% to 16%...

**Moderator:** Sorry to interrupt, Deepak, that was your question. I would request you to rejoin the queue. The next question comes from the line of Sumant Kumar from Motilal Oswal Financial Services Limited.

**Sumant Kumar:** So assuming current scenario, global scenario, can you talk on export opportunities? How is the inquiries currently?

**Jairam Sampath:** Yes. I think we have talked about this in earlier calls, too. So fundamentally, the aerospace business and some of the automotive, etcetera, now we've got global clients. So they do not only take requirements for the Indian requirements, but also requirements for production outside of that. So we think that -- so let's say, we have now three businesses fired up.

One is EMS, the other one is OSAT and PCB. So OSAT and PCB, significant amount of business will be in export. Maybe from FY '27, we'll start seeing its impact. FY '26 primarily these 3 sectors like automotive, aerospace and some portion of industrial would see some increase in exports. So maybe out of the total of, let's say, INR4,350 crores, maybe you can expect at least 15%, roughly, if I hazard a guess at this point in time of exports.

And the other thing is we must remember that we are also doing a geography strategy. So we are not considered export, but as a business done within that country. So for instance, the Canadian entity will be shipping in Canada itself. So we can take that as an export in which case, over time, 4, 5 years' time frame, 20%, 25% minimum of our business will come from outside, let's say, clients.

So some will be exported, some will be done there itself in the geography where we have. So we have this 3-pronged strategy of acquisition and so on. So Sumantji, basically export orientation will increase. Some of it will look like exports, others will look like a subsidiary billing.

**Sumant Kumar:** Yes. So current scenario is the tariff war, we are getting some inquiries and more engagement with the client, I'm asking.

**Jairam Sampath:** Yes, sir. No, no, Sumantji, actually, what we are getting is a lot of big OEMs are seriously considering alternative to China. In the sense, they may not replace the entire thing. Obviously, that's a little difficult. But all the new products, etcetera, they will bring to places like India because I think U.S. is very much cautious in providing new technology to Chinese vendors.

So they know that, that gets compromised. So I think we can look forward. See, tariff war will also kind of cool off at some point in time. And India has played that middle part very well. So -- and also, we are also having a geography strategy. We are going to have places in North America producing. So from that perspective, I think tariff war will benefit our company.

**Moderator:** The next question comes from the line of Girish Achhipalia from Morgan Stanley.

**Girish Achhipalia:** Sir, I just wanted to understand the rationale of the Canadian acquisition more better. And -- is it also having some ODM capability? Or is it more just a geographical and business diversification. And just in terms of working capital intensity of that business and profit margins, if at all, if you can just help us with that.

**Jairam Sampath:** Sure, sure. So like in answer to the previous question, I had mentioned that it's margin accretive, the EBITDA numbers are higher than what we have at consol level at this point in time. The

rationale for acquisition was that they have global customers, which we don't have access to right now. They do somewhat larger electronics in the area of instrumentation, in the area of energy, energy means petroleum sector, then, of course, medical and then IT, etcetera.

Telecom also is one of those areas. So these are all high value-addition areas, which are generally the province of companies sitting right in the North American geography to serve their customers for whatever reason, maybe it's a reason of proximity, it's a reason of strategy. So we will benefit, and we have looked at their business plan, 20% growth organically is feasible.

And this Canadian entity has got expertise in refurbishment in other areas. And they also are ready to expand into, let's say, other geographies like other countries like U.S., etcetera. As you know, Texas and other areas are having a huge amount of business in oil, etcetera. Of course, they have some interest in Europe, too. So with Keynes' help, we will probably do the collateral benefit of helping this company expand and maybe increase their business a little beyond this 20% that they are currently planning.

Plus they also -- their clients have significant purchases from China. In addition to what they purchase from August Electronics, they purchase things from China, too. So it is we are that portion of the business, too. And then a couple of clients have already visited us and they are happy to help us with new RFQs.

So that, A, India is safer haven especially for newer products; and B, it is also nearer than China is for their general acquisition and so on. So we will have collateral benefits at Keynes here for local business. We will have some at least seeding of growth in North American geography, possibly an additional facility in the U.S. in addition to already we have Digicom.

So we can combine all of these and then a critical mass will be there. And so that by FY '28, when the company does \$1 billion, we want a significant number to come from these areas, too. So that is the -- so the rationale, to put it plainly, new customers, new geography and new business areas.

**Girish Achhipalia:** And just a clarification, the 60% growth is including the Canadian part, right? Or is it only the core business?

**Jairam Sampath:** Right now, we are saying consol because we'll have to see the entire year cannot be consolidated. They work on Jan to December. But yes, broadly, we'll make sure that we attempt to do this in the existing business itself.

**Moderator:** The next question comes from the line of Meet Jain from Motilal Oswal Financial Services Limited.

**Meet Jain:** Sir, my question is regarding this quarter and last quarter as well. We have seen an increasing flow of our ODM business and the mix has increased significantly to almost 18%, including the product engineering business. And that also resulted in a better margin. So can you throw some

light on which kind of products are we manufacturing in that on which segment? Also, we can see the IoT part of the business, IoT consumer has seen a very strong jump. Can you throw some light on that?

**Jairam Sampath:** Sure. In terms of ODM, our ability is in the area of industrial, is in the area of railways, with Kavach program and other things. And so those are the -- and of course, IT IoT is another area where we have significant amount of ODM activity. So that is definitely going to go up going into the future. As far as the IT, IoT is concerned, because of server production taking off. So that's why we don't do commercial laptops, etcetera, but we do high-performance computing servers. So that's something that we continue to do.

And we have a few more clients in the pipeline. So that business will also increase. So in terms of our, let's say, trajectory of composition of our business, aerospace is on the up. Obviously, automotive will remain very strong with global clients and so on. And industrial will also be very strong, etcetera. Medical, we've been talking about an overseas client.

So that is also shaping up well. And of course, the defense business, once the government finalizes strategy, we will get a good -- fair share of business for the defense production in India. Right now, it represents a very small portion of our business. IT, of course, will keep growing. Aerospace will, I think, become much larger than what it is today in our portfolio.

**Meet Jain:** Just a follow-up on that. So how much delta in terms of margin can we see if the ODM -- because ODMs are in the high-margin business. So the mix is going up. So what kind of delta can we see on our margins down the line in the core EMS business?

**Jairam Sampath:** Yes. So see, margin is a mix of a lot of blend of customers and different areas, etcetera. So this year, we estimate safely that at least 50 basis points increase in margins will be there on a consol basis. And this is in existing businesses. If there are new businesses acquired, we make sure that it is at least minimum, it gives you this kind of a margin. So short term, at 50 basis points, yes, maybe 200 basis points are feasible over time.

**Meet Jain:** So because high-margin businesses generally carry some kind of working capital with it. So -- and we target to reduce that. So can you throw some light how is it possible...

**Moderator:** I'm sorry, interrupt, Meet. You're done with your two questions. I would request you to rejoin the queue. Ladies and gentlemen, in the interest of time, we'll take the last question from Indrajit Agarwal from CLSA.

**Indrajit Agarwal:** Congratulations on a good set of numbers. I have just one question. Of the capex that you announced or highlighted for OSAT and PCB, INR3,400 crores and INR1,400 crores, how much will come from the government? And what will be the time line of receipt of that amount? So is it that we pay out the initial amount totally by ourselves and there's a lag in when we get it from the government?

**Jairam Sampath:** Yes. So the policy is anyway published by government. So in case of, let's say, OSAT Indian Semiconductor Mission, which has published this policy, 50% of eligible capex, which is excluding land and some parts of buildings. So in INR3,400 crores, about INR2,700 crores, we will get 50% from central government and another 20%, 25% from state government, okay, of INR2,700 crores.

Remaining we have to provide ourselves. It contains land building, plus it contains also some high-tech investments, which in government's opinion does not require a subsidy because it's a high-tech area and wherein there are already plants and so on. As far as the PC Board is concerned, INR1,400 -- and the central government money comes pari passu. That means when we pay the supplier, at the same time government does its contribution. State government comes with a lag of about 6 months when the machines come here and then we install.

And then what is known as start-up of operations is the kind of thing. So first, let's say, few tranches will be 6 months period. After that, it will become a routine cycle. So that's as far as the OSAT is concerned.

As far as PC Board is concerned, we get significant amount, about 40% plus 25% roughly. So about 65% capital subsidy. These all come after the machines come here and we start up the operations. And -- but within the year, the state government, which is 40% roughly, they will dispense within the year. So there will be no major lag. There will be, you can say, an average 6 months lag.

And central government will come again with the same 6 months lag. So we may use certain bridge loans for this, which are self-extinguishing the moment the subsidies come, we can pay them off. So out of INR1,400 crores, roughly 65% is something which is capital subsidy. Remaining, we have to put the bills

**Moderator:** Ladies and gentlemen, in the interest of time, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

**Jairam Sampath:** Yes. Thank you, everyone, for joining this call. And we meet you all on good tidings and strong business growth. And like we discussed in detail about what our plans are and so on and so forth, look forward to meeting you next quarter with some more good news. So in the meanwhile, have a good time, and see you later sometime.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.