"Kaynes Technology India Limited Q4 FY'24 Earnings Conference Call"

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MODERATOR:	**MR. DEEPAK AGARWAL – JM FINANCIAL SECURITIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Kaynes Technology India Limited Q4 FY'24 Earnings Conference Call hosted by JM Financial Securities Limited.

As a reminder, all participants line 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 "*" then "0" 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. Good afternoon, everyone. On behalf of JM Financial Securities Limited, I welcome you all to Kaynes Technology India Limited Q4 FY'24 Earnings Conference Call.

Today, we have with us senior management represented by Mr. Ramesh Kunhikannan, Founder and Managing Director, Mrs. Savitha Ramesh, Chairperson, Mr. Jairam P Sampath, Whole-time Director and Chief Financial Officer and Mr. Rajesh Sharma, CEO.

Without taking much of the time, I would like to hand over the floor to the management.

Ramesh Kannan: Good afternoon, everyone. On behalf of Kaynes Technology team, I would like to welcome everyone to the earnings call for Q4 FY'24.

I have along with me Mrs. Savita Ramesh – Chairperson of our board, Jairam Sampath – Whole-time Director and CFO, Mr. Rajesh Sharma – CEO, Mr. Sumit Verma – Investor Relationship and Orient Capital, our Investor Relations Partner.

I would like to take this opportunity to express our heartfelt gratitude to each and every one of esteemed investors for the encouragement provided to us during our journey so far.

I am happy to inform you that we have been able to achieve a revenue of 18,046 million during the financial year 2024, which represents a strong growth of 60% year-on-year. The operational EBITDA margin for the financial year FY'24 was at 14.1%, the profit after tax for the financial year 2024 was at 1,833 million and the PAT margin was at 10.2%, which represents a growth of 93% year-on-year.

Coming to our performance for the quarter-end March 31st, 2024, our total revenue was Rs.6,373 million, registering a growth of 75% year-on-year. Our Q4 FY'2024 operational EBITDA was 952 million, registering a growth of 60% year-on-year with an operational EBITDA margin of 14.9% for the Q4 FY'2024.

Our growth was led by strong demand across all the verticals, more notably. Industrial and EV Aerospace, Outer Space and Strategic Electronics and Railways vertical.

We continue to witness strong demand across verticals. The order book surged from Rs.37,890 million at the end of Q3 FY'2024 to 41,152 million at the end of Q4 FY'24. The average order inflow per month increased from 2,788 million per month in Q3 FY'24 to 3,212 million during Q4 FY'2023.

On the operational efficiencies, we have made consistent effort to improving the working capital cycle and I am pleased to inform you that the working capital cycle has reduced to 83-days in FY'24 from 99-days in FY'23. We expect further improvement going forward with sustained action on this front too.

On business side, we have consistently been working to strengthen our company to become an integrated EMS company, which was to serve a higher value share of customer requirements. Towards this goal, we have to incorporate a new subsidiary in the mechatronics area that will focus on new generation of plastics, metal enclosure and also the molds, tools and fixtures.

We have a very strong traction in the high-performance computing server manufacturing, where we have won a large order from **CDAC**. We also have more proposals which are coming to fruition in the areas too. We have also received a substantially large order in the aerospace outer space and strategic vertical that would improve substantially our overall revenue portfolio during the years to come in.

In the medical electronics area, I am pleased to inform you that we have concluded a contract with a large medical equipment company for both domestic and export area. In the industrial and EV vertical, we have received a breakthrough contract from a smart meter company which will substantially augment our business portfolio.

In railways electronics area, in addition to electronics interlocking, we are working specifically in project onboard electronics, train collision avoidance system. Going forward into the future, this will further augment our valuable portfolio of business.

We are very optimistic going forward for our revenue growth expanding into other key verticals and will not only improve top line but bottom line as well.

For the year 2025, we expect to clock a similar rate of growth in revenue greater than 60% and an improvement in operational EBITDA margin of more than 100 basis points.

Kaynes continues to invest in new initiatives and executing projects in newer higher potential segments. These strategic initiatives will boost to strengthen the company competitive edge and make gains as an integrated EMS company. Many new initiatives are in the planning phase to support this strategy. We continue to expand capabilities across vertical with clear focus on outline strategy of continuous expansion of customer base with focus on large accounts with growing share value added services.

Semicon assembly, also called as OSAT and traded at the interconnection PCB project, are critical to our business strategy of being an integrated player.

We are in the final stages of obtaining government approvals for our new investments and expected the approval soon after the model code of conduct is concluded. We feel even there is a delay of 2-3 months, we will be well within the expected plan and we will catch up with the timelines for these projects implementation through preparatory steps, which are already underway.

Thank you all once again and we look forward to exciting times ahead. I will now hand over the call to Jairam Sampath to take you through our Financial Performance. Thank you.

Jairam P Sampath: Thank you, Ramesh ji. Already, I think a lot of financial statement studies we have also published.

First of all, thank you for joining the call today. I'm very excited to share Kaynes Technology's financial results for the period ending March '24. For the quarter-ended 31st March 2024, our consolidated total revenue was INR6,373 million, representing a 74.8% year-on-year growth. For the 12-months ended December '24, the consolidated total revenues was INR18,046 million, representing 60.3% year-on-year growth. The consolidated EBITDA for the quarter was INR952 million, showing a 60.5% year-on-year increase, while for the year it was INR2,542 million, which was up 51%. The EBITDA margin for the quarter and for the full year stood at 14.9% and 14.1% respectively.

Our consolidated profit after tax for the quarter was INR813 million, up 96.8% and for the year was 1,833 million, up 92.5% year-on-year and PAT margin for the quarter stood at 12.8% and for the 12-months it was 10.2% respectively.

Our current order book, which stands at Rs.41,152 million. Net working capital at the end of March was 83-days on an annualized basis, lower than 99-days for the previous year.

Our inventory was a tad higher as we have to make advance purchases keeping in mind the requirements of upcoming quarters.

Our net debt at the end of the quarter adjusted for unutilized proceeds was INR2,177 million compared to INR473 million at the end of March quarter of FY'23.

Our ROE and ROC adjusted for unutilized portion of proceeds is at 22.8% and 22% respectively for FY'24.

We continue to make serious progress in our expansion and continuously adding newer lines across various facilities, especially Chamarajanagar which is in line to become truly integrated facility. Our Pune facility which was acquired recently also now is operational. Also, we have plan to expand the new regions in India and outside India as well. All these expansions will help the company ramp up its production significantly over the coming quarters. On our side, we have provided Government of India with all the requisite details and hopeful of the positive outcome soon after the elections.

We have also started preliminary construction work in Telangana and hopeful of meeting the desired timelines for the same. We will be sharing finer details as we make further progress on the same. We look forward to your continued support on this journey ahead.

With this, I would request all the participants to come in with their questions. I now open the floor for questions.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: I've got questions. First, I will talk about the financial question that I've got. I just need some clarity over here. One, the gross margin is something which is very important in this particular business. If we see the last couple of years, this number used to be hovering closer to 34% and then stabilize at around 30%. This year we've seen that number drop to about 26%. How do you see the gross margin in the next couple of years? And this is very important given that you are looking for 100 basis points expansion in the EBITDA margin. So that's the first question on the financial gross margin.

Jairam P Sampath: Thank you, Rahul ji. Pleasure as always to interact with you on the calls. So the gross margin is a blended gross margin, which is a function of relative contributions by different industry verticals. As you know, our maximum contribution is coming from automotive and industrial and EV sectors, which is almost close between 60% to 70%. And these are what we call the high volume sectors and the gross margins in these sectors are somewhat lower compared to the aerospace vertical, railways vertical, medical, etc., And so this year, we have seen the orders of the financial year FY'25 and we find that the portfolio balance is coming back to our original expectation, which is like 60:40 and may be eventually it will be 50:50, so 50 of high volume and 50 of high profit making the products will be there in our portfolio. So what started at around 15.5%, 16% came down to say 14% last year. This year we expect it to go up beyond 15%. So this is a kind of a cyclical phenomenon. And on an overall average it will be about 15% operational EBITDA.

Rahul Gajare: I think you also talked about you will have a lower tax rate for some time. How many years will you have that 20% tax rate?

Jairam P Sampath: This 17% is for the KEMPL facility, which is registered under 115AB, it is life-time.

Rahul Gajare: So you're basically saying that your blended tax rate will be in this range only, around 20%, 21%?

Jairam P Sampath: It will be nearer to this number, yes.

Rahul Gajare: Sir, my second question is in your opening remarks you talked about basically augmenting your manufacturing facilities. You also talked about having overseas manufacturing facility. Can you just throw some light, what are your plans on that front?

Jairam P Sampath: In overseas, we have done an acquisition called Digicom Electronics, which is primarily a player in the low volume and let's say prototyping work and these are the clients which have high volume requirements too. And so our plan is to leverage our presence in the US and get high volume business for our Indian facility. So we do a dual tandem act. So we are very close to them. So we do their prototyping, new product development sitting in the US, and when it comes to volume production, we do it in India. So we have already received several customer confirmations who are customers who are in the US to use this kind of methodology so that they get good service like a near shore company and they also get good cost like India kind of cost.

Moderator: The next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir, my first question is regarding your order book of about 41 billion. Possible to give us some sense of the segmental split of the order book that we have right now?

Jairam P Sampath: Yes, the segmental split of the order book is similar to what we have on our sales numbers for FY'24 and one notable improvement that is there is that earlier we used to get orders up to two to three years, today, we have orders which are spanning up to 5 to 10 years, especially in aerospace and other sectors. So split will be very similar to our business profile. Maybe the high volume orders get placed not for the long-term, so they come in during the year and the order will be predominantly the things like low volume, high tech, high margin, those kinds of orders will be predominantly in this particular order book. So yes, it is similar to what we have in FY'24.

Sonali Salgaonkar: Secondly, possible to give us a broader sense of the segmental margins, because you have the highest operating margins versus all other EMS players presently, so possible to give us a renewed sense of the segmental margins and also your CAPEX guidance for '25?

Jairam P Sampath: I think I will take the second question first. So we have always been working towards making our company self-sufficient as far as funding this 60% growth with CAPEX, which is generated out of our operating cash flows. So I'm happy to tell you that this year we made a small beginning and we've made a small quantum of positive operating cash flows. And in FY'25 we will certainly do EBITDA of more than about 50%, 60%, with 60% growth on the numbers, and something like 100 basis points improvement in the EBITDA. So it will give about 200 to 250 crores of money which can be invested into CAPEX and that will be sufficient taking a seven or eight times asset turnover eventually. So that will be enough to do the growth for sales revenues in EMS sector. There is a customer confidentiality on all this. So we don't talk about segmental profits. So the segmental profit, we don't report, but I can give you a broad guidance in terms of ranking. So let's say high volume sectors by the name of say something like automotive, industrial, and EV. They are in terms of material cost, lower margins, but in our assessment, after the manufacturing costs, which are significantly lower in the high volume products. In terms of EBITDA, they are not very different. Of course, the high tech sectors and low to medium volume sectors like aerospace, outer-space, defense, railways electronics, medical, etc., they are decidedly having a high gross margin at raw material level, but they all have their own importance in our portfolio. The high volume customers give us ability to purchase large volume of electronics and hence get lower price for even the low volume segments. So it's an intertwined, let's say, effect on the portfolio. So broadly, automotive, industrial and EV, they are somewhat moderate in their gross margin expectations at material level, all the other sectors are little higher.

Sonali Salgaonkar: My last question is regarding OSAT/PCB. You did mention in your opening remarks about the state of things right now. The 14 billion QIP proceeds that you have got, will you be utilizing them for deleveraging at all? And secondly, your guidance going forward, does that include and imply revenues from OSAT at this point in time?

Jairam P Sampath: The first question is easy to answer. We raise the funds for specific two projects, one is OSAT and the other is high density interconnection PCB and they will be used for only that. There's a very small delay of a couple of months due to the ongoing elections that have come in. And I think now we are just about a month away from the election process concluding and the model code of conduct going away. So we don't think it's material to do any other let's say utilization of that particular thing. And what was the second question, can you repeat?

Sonali Salgaonkar: Sir, your guidance going forward, does that include revenues any upside from OSAT/PCB manufacturing?

Jairam P Sampath: This year guidance OF 60% up is just on EMS and not based on activities in the OSAT and PCB. OSAT and PCB will take one to two years' time to start the initial capacity utilization and you can see them in full form maybe in a span of about three to five years.

Moderator: The next question is from the line of CA Garvit Goyal from Invest Analysis Advisory LLP. Please go ahead.

CA Garvit Goyal: My first question is on our asset turn. So can you comment upon the kind of asset turns that we are enjoying? So what is that basically makes us differentiate from the peers who are comparatively at the lower at asset turn?

Jairam P Sampath: Asset turns are dependent on the kind of products that you do. And also in the initial stages, we must understand that when the new facility is getting established, for it to improve its efficiency and for it to utilize all the assets that have been implemented, it takes a bit of time. So, in terms of asset turns in our businesses, the high volume businesses will definitely because of the large batch sizes will have somewhat higher asset turns compared to the lower volume and high tech businesses. Having said that, the value throughput in lower volume and high tech business is also higher. So our asset turns are representative of the mix of clients that we have. So supporting the same assets are used to just for one client asset turns could be a tad higher, but with a large number of clients who provide us diversification and who provide us this stability to our portfolio, our asset turns can grow to about 7 and 8 eventually.

CA Garvit Goyal: Sir, the order book that we are having in hand, so what is the estimated execution period for the same?

Jairam P Sampath: Yes, this represents about one and a quarter year.

CA Garvit Goyal: 1.25?

Jairam P Sampath: 1.25 yes. Some models are, of course, five years, etc., but I'm just giving you an average.

CA Garvit Goyal: Just a clarification on guidance. Have I heard correctly like sales growth of 60% for FY'25 and a margin improvement of 100 basis points?

Jairam P Sampath: Yes, that's our plan.

CA Garvit Goyal: Sir, what is the basic target like two to three years down the line, like how the growth momentum is going to sustain, what are the new drivers that will further drive our growth beyond FY'25, sir?

Ramesh Kunhikannan: We are planning to grow in the similar way with our percentages where automobile will be around 25% and then rest all the ratios will be maintaining more or less in the same way for which we are focusing on our marketing as well as team building, everything towards the same guidance matter. So that is how we are going to retain the margins at anything between 14.5% to 15% EBITDA.

CA Garvit Goyal: So this momentum is going to be there for at least three to five years, is that what you are saying?

Ramesh Kunhikannan: Yes. We are very clear. We have put up a five year plan and we are very clear and confident that the team will achieve this.

Moderator: The next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: Maybe just one sort of question to understand your margin guidance, because you're investing in PCB and OSAT, would that also include any investment impact, could that impact our margin guidance or this is inclusive of whatever little investments that we're doing this year as well?

Jairam P Sampath: So PCB and OSAT business, like I've said earlier, take about 1.5 to 2 years before it becomes operational and start yielding reasonable capacity utilization. So this year guidance is completely based on our EMS business

Deepak Krishnan: I just wanted to understand essentially the margin guidance includes any impact of investments being done for future growth like PCB and OSAT which will not have a negative impact, right, this is a blended margin inclusive of all of this, the 100-basis points improvement?

Jairam P Sampath: There's no impact.

Deepak Krishnan: Maybe just wanted to understand on the competitive intensity perspective given that we are growing so fast and we've seen a substantial growth as well. How are you seeing the competitive intensity especially in segments like automotive, industrial, aerospace, do you believe that we have a substantial lead over the peers or it's the competitive intensity same as it was over the last couple of years?

Jairam P Sampath: So typically in any industry growth cycle, when the demand far exceeds the supply or installed capacity, in India's case, we can safely take this because we are actually targeting this large amount of imports of electronics which are high tech and high margin electronics which is coming into India, we are targeting to do it in India. So there is still a very big demand and supply gap. So competition intensity will be moderated and it will not be deleterious to our acquisition of businesses and that is what we have seen over the last six months the footfalls that come in. So, everybody is getting orders. All the peers probably are also announcing that we have tie up this, that and the other and we are also getting. So, it's our assessment that next 5 to 10 years will be moderate competition intensity. So having said all of that we still have to be competitive. Obviously no customer is going to accept anything less than world-class performance, both on quality, cost and delivery. So, we are also very mindful of that. So there is no place for complacence. We have a good quality improvement program. We have a good delivery improvement program and also a cost reduction program.

Deepak Krishnan: Given that we are expanding reaching to US, how are we looking at export versus domestic mix 2-3 years down the line, even today, 90% has more towards domestic given strong we are in the domestic market.

Jairam P Sampath: Can you repeat that?

Deepak Krishnan: I just wanted to understand the mix towards exports, how big your exports will be two, years down the line in terms of overall revenue contribution, today it is up to 10%?

Jairam P Sampath: Let's say in EMS portfolio, especially when it comes to aerospace, defense and outer-space and it comes to some of the industrial products, exports will pick up and even in railways we have now got some clients restarting their export activities with us. So going forward, definitely you will see some increase in the growth in the exports, but still the bulk of the business will be driven by domestic in the EMS sector. However, when we come to something like semiconductor assembly that is OSAT or PC board, HDI PC board, they are all export-driven and so another four years' time you will see significant increase in the exports through the new businesses. Otherwise EMS business by and large will be driven by domestic trends and tailwinds in the domestic market.

Moderator: The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: My first question is on your medium-term aspiration. If I recall correctly, you had an aspiration of getting to a billion dollar revenue by FY'28, of which 75% is EMS and 25% is other businesses. Does that timeline still hold or because of the current delays, we could see a year or a couple of years of slippages in that?

Ramesh Kunhikannan: We are very confident that we will be achieving this number in year 2028 because the tailwinds are very good and then entire globe is looking at India. And when they look at India for manufacturing, electronics is the first preference. So we are very confident that we will be able to achieve this.

Indrajit Agarwal: So when we get to this number, our margins will be materially better than this right, because PCB manufacturing and OSAT is significantly better margin business than EMS globally. So do you think that the margins could trend up even more from the current level?

Jairam P Sampath: So at this point in time, we maintain that it will be retained at our current thesis level, which is like we are saying that around 15%-plus EBITDA and 10%-plus PAT. Once we establish the high tech advanced packaging business, etc., yes, there is a possibility to take the margins up further in those growth segments of the business.

Indrajit Agarwal: My last question is on the bare board manufacturing. Is that also hinging on government approvals or that is independent of that and we can start some bit of manufacturing this year?

Ramesh Kunhikannan: We have got approval for that already. We are in the advanced stages of finalizing the orders with all the suppliers, recruitments are going on, and construction is also just starting.

Indrajit Agarwal: So we can see some shipments this year on this?

Ramesh Kunhikannan: Yes, we'll definitely see some shipments this year.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya: Sir, two questions. First, is just on bookkeeping one. Q4, other expenses is at around 31 crores is almost flat QoQ and lower year-over-year despite very sharp increase in revenue. So is there any one-off in this quarter or any one-off in the previous quarters either last quarter or last year same quarter? Just to complete the related question is that in the backdrop of this increased capacity in EMS business itself and for the new businesses that is PCB and OSAT, what kind of a run rate should we assume, say in FY'25? So these are stable numbers or we should assume some increase in FY'25, how do we think about it?

Jairam P Sampath: I will answer the second question first, that's a bigger one. So as far as the EMS growth is concerned, this was something that we had internally always imagined that will happen and we always saw a strong tailwind. If you remember in all the meetings and all the discussions, we always talk about this huge amount of import of these things getting done in India. So that story of 40%, 50%, 60% growth rate will continue for quite some time to come. And as far as the OSAT and high density PCB is concerned, this is in line with our expectation to become an integrated player. As we grow the EMS business, this also becomes important to have our capability here because there will be many clients who require us to do all the three activities, that is high density interconnection PCB, also make modules and high end packaging silicon assembly for them, and then of course, they want us to do EMS also. So we have already seen some customers in this horizon. So as we see it, whatever are the expectations is probably is going to get better than that going forward in the future. Now, on the other expenses activity, I think this has something to do with the classification and not anything to do with any expense increasing. So going forward it will be similar to what we have seen in the other expenses in terms of percentages, you can take that. So, there is no one-time expense, just it's a categorization thing. We can probably explain to you later too in detail. We'll be publishing the schedules and all that, so you will get into that.

Keyur Pandya: Basically, year-over-year degrowth in other expense and revenue is growing, so I mean current quarter numbers are sustainable one at around 30 crores. There is no one-off and adjusted, the number should be like it?

Jairam P Sampath: The current quarter numbers in terms of expenses is certainly sustainable and in fact like we have said before also there is some more operating leverage possible in our business if you notice; 15% EBITDA, we have 15% to 18%, 19% of cost and they can always be leveraged with higher turnover. Of course, some part of them which can be leveraged and some part of it is variable which will be leveraged after scaling up and so you can safely assume that these cost profiles will not adversely change if at all there will be improvements.

Keyur Pandya: Second question is on factoring. What is the number of say receivable discounting factoring for FY'24 versus FY'23, if you can give that number?

Jairam P Sampath: Sorry, can you repeat that question?

Keyur Pandya: The quantum of factoring or the receivable discounting that you have done for FY'24 and the same number for '23?

Jairam P Sampath: We can get that data out, but factoring essentially is to customer recourse. So many customers prefer to use their financing agents and what they have is they have an arrangement with their factoring the companies to fund if at all they have a need for credit. So from our side we prefer factoring because that risk of this burden of collecting and then follow up, etc., which also is a problem in relationship management with this thing. So we prefer this, but it's suffice it to say that all large customers would like to enter this route.

Moderator: The next question is from the line of Vipraw Srivastava from InCred Research. Please go ahead.

Vipraw Srivastava: Just had two questions. So first of all, regarding your low volume business, so wanted to understand that what is the right-to-win for Kaynes here, I mean, can your competitors undercut you on price, I mean the only differentiator is price, right, so is that a possible scenario in future, can that happen or that's not the case?

Jairam P Sampath: So what is the basis of competition? So like you have to go back to our portfolio. Our portfolio is those of customers. So we are a high involvement supplier. That means all the products that we do, customers most of the time will come and sit with us and help us develop that production, etc., whether it's automotive, whether it's EV, whether it's industrial, aerospace, defense, whether it is medical. So, we are a high involvement supplier and that by definition means that the relationship is not dependent on price, it is dependent on what we deliver in terms of ability to do complex products, ability to do critical products, ability to meet their quality requirements and ability to turn every one of their requests and opportunity for us. Having said that, every buyer has an aspiration to pay to match the value delivered to the price paid. So we also are aware of that. So we don't become complacent in this area. We always have a cost reduction program, both fixed costs, that is manufacturing costs, establishment costs, and all of those, plus we also have a very strong program to work on raw material costs. So let me put it this way. The prices what market can pay and margin is what we can make.

Vipraw Srivastava: Second question is on the gross margin. So just wanted to understand, since you are guiding 100% margin improvement that is from gross margins or from operating leverage?

Jairam P Sampath: So the numbers are clear. Obviously, the gross margins have come a tad down. So we have done operating leverage. And like I said, we still have fair amount of operating leverage possibility because we still have middle line which can be leveraged better. So simple answer, we have done operating leverage, we can do more.

Vipraw Srivastava: Your gross margins will remain at this level only, right, or it will also improve?

Jairam P Sampath: So gross margin is a function of the blended gross margin, right? So it's a function of where you get the order. So obviously, this year in FY'25, we expect more from the high margin, low volume, high tech product category. So that way move up a little, yes.

Vipraw Srivastava: So your OSAT partner Globetronics, they're facing some issues currently, so their Apple contract has been cancelled and the stock was also taken a hit. So does that impacting in some way or how do you look at it?

Jairam P Sampath: The issue is once we get the government approval, we have several partnerships lined up and there are several backup also available. One of these can be consummated till we get the government's approval for the subsidy scheme, correct. So there is nothing cancelled, etc., We are in touch with everybody. So there are people going for training and so on and so forth. Only thing is you will not see a factory coming up and production start till that happens, that will happen in June. And so there is no tension from that aspect. It is just that it's taking a couple of months more than what we anticipated.

Ramesh Kunhikannan: And whatever knowledge we are having, we have no cancellation from any of our partners or anything. All agreements are intact.

Vipraw Srivastava: No, my point was the main client. They are an Apple company. So Apple cancelled their contract. But I just wanted to confirm that.

Moderator: The next question is from the line of Amber Singhania from Nippon India AMC. Please go ahead.

Amber Singhania: So there're two questions from my side. One is on the order book side. We have recently announced the order coming in for servers as well as the smart meters. So could you help us with the size of these orders and what could be the run rate going forward? I believe these servers order are the starting orders or the token orders, later on it can expand significantly. So sustainably what kind of size we can expect in terms of ordering on an annual basis for both smart meter as well as servers.

Jairam P Sampath: You're right, these orders are expected to repeat over the next several years because the demand/supply gap is pretty high indeed. So as far as smart meters are concerned these orders can get as high as 400, 500, 600 crores per annum and this will continue for the next several years. I'm talking about the conservative estimate. And as far as **CDAC** order is concerned, of course, is in the public domain, but let's say about 200, 300 crores every year we will do. And in that category of high performance computing servers, we have several other global players and Indian players with whom we are closely working. So that is also likely to add some quantum of business to us. So roughly at a mature level, practical level, the high performance computing can be anywhere between 300 and 500 crores per annum. Smart meters on a steady state will exceed definitely 500 crores per annum, maybe more.

Amber Singhania: And this **CDAC** orders are also of the similar margin, right?

Ramesh Kunhikannan: So these smart meter orders are actually not part of your 4,152 crores. Smart meter orders have been concluded, especially the large orders been concluded in April and May. So in the next quarter we will add these orders and show you. Yes. So **CDAC** order is already part of our order book and some more will come in.

Amber Singhania: What would be the current order book adding these?

Jairam P Sampath: Sorry, I am not able to hear you.

Amber Singhania: One clarification is on the guidance part which you mentioned 50%, 60% kind of growth on this year number for revenue whereas the order book of 4,100 crores is executable over a period of five quarters. Based on order only, it is around 3,300-odd crores and based on the 50, 60%, 2,800-odd crores.

Jairam P Sampath: Obviously, our target is a moving target, right? We keep on getting more orders and we try and make capacities available. So it's our assessment that at least 60% growth should be there at the minimum if you have to satisfy the customer requirements because just having the order, not executing also is not a great thing, so that is the basis on which we are seeing 60%-plus of growth. And we will update you once we do two quarters. If once the first half is over, then there will be an actual onboard and then we will also have all the impending orders coming in. So we can talk about that. But it's on the upswing and it's quite let's say quite doable and quite certain.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Can you talk about opportunity in aerospace, defense and railways for you?

Jairam P Sampath: In railways, we were earlier a major player only in the electronic interlocking. So now we have started developing for the train collision avoidance system, namely the Kavach program. We've also got several RFQs and we are in the process of finalizing contracts for onboard electronics. These are electronics which are fitted onto locomotives and these are electronics which are fitted on to carriages. And then there are other track-related things, etc., where there is a lot of work going on. So in railways we now are in line to do electronics for both the programs. One is the safety improvement program, the other is the signal expansion program. And third program also which is the improvement of carriages, like Vande Bharat and other trains. So, this is a little longish term let's say activity. We are also doing one more thing. Also there are some legacy products which are used by railways. So we also developed some of those things easily and then we can fulfill some of those contracts too because they also fall right in the area of work for us. So as far as railways is concerned we are now enriching our product portfolio and also taking advantage of whatever growth that is coming in. The second question is defense, aerospace, etc., So there we focus currently on avionics and I think that itself will keep us busy for some time now because there's a large customer and then we are having very close relationship with the customers, it's a 10-year program. So we think that as far as aerospace is concerned that will be majority of our business to begin with. So there are other things like outer space. We are a strategic supplier in the Indian Space Research Organization as well as there are some extended enquiries coming in because of our work with the Indian entity. So outer space is another thing which is going to go in a big way. So these are some little more color on these two sectors. And medical is the other sector, that's where we have got a very large client with critical care equipment, both Europe as well as US, these orders are there for the same client. This client has recently acquired one of the largest medical equipment manufacturers in the US too. So we are going to get benefited from this association over the next several years.

Sumant Kumar: So in the last two years we have seen a degrowth in medical segment. So can we expect a growth in this segment going ahead?

Jairam P Sampath: So this year you will see at least medical segment will go to triple digits, at least 100 crores plus will be there in the medical sector in FY'525 for sure. I understand in the last two years we've been expecting this to happen, but it takes long time to approve products. We've also said no, it takes typically one year to three years for any customer to approve us and especially in critical care products, it takes even longer time. So this year we'll see a triple digit medical number, probably more also going forward.

Moderator: The next question is from the line of Nitin Sharma from MC Pro Research. Please go ahead.

Nitin Sharma: So where do you see your net working capital days by end of FY'25?

Jairam P Sampath: So in FY'24, we have brought it down to about 83-days. Our ambition is to take it to 70-days and then we have to do some improvement in some other technologies that we are using, digitization and all that. So we also believe internally that just because we are working in low volume, high mix segment, it may not be high, so we have come to a realization that we can drop this net working capital days further. So in FY'25 it can come to around 70, 72 days, yes.

Nitin Sharma: Want to understand, is there a scope for delay in the OSAT approval more than where we are seeing?

Jairam P Sampath: See, the OSAT delay, Ramesh ji pointed out in his initial comments and later on too. See, it is a matter of crashing the schedule by about 2, 2.5 months, which we have already provided for when we originally discussed about the project schedules, we already added a buffer. So we'll have to release those buffers. And also in the meanwhile, we have kept everything ready, including suppliers have been primed and so on. So the moment this approval thing happens, then all the other actions can happen quickly, so acquisition of people and processes and talking to people, etc., talking to collaborators, all that is going at regular pace only. So I think eventually it will not affect the schedule of delivery too much.

Moderator: The next question is from the line of Karan Sanwal from Niveshaay Investment Advisor. Please go ahead.

Karan Sanwal: Wanted to understand like which sector would have driven the growth for the industrial and EV segment in FY'24 because we see a jump in the contribution in the overall revenue?

Jairam P Sampath: So industrial and EV segment is a key segment for us. It's also a very widely distributed segment. It has things like energy meters, it has things like instrumentation, things like power electronics, it has things like switchgear and EV has got two wheeler EV, four Wheeler EV, we are also having off highway vehicles like golf carts and things like that and then we are having EV charging infrastructure and we are having certain clients of course in the EV component space. So it's a cumulative effect of all of these. So EV, of course, has grown because earlier there was no electric vehicle production in India, so that has grown, so that's a significant growth driver. And in the industrial, it's a combination of all, but going forward, what is relevant to us, I think is that this smart meter numbers will go up and also the power electronics numbers will go up because these two clients have indicated to us a higher forecast. In EV all of the sectors are going up; two wheeler, three wheeler, four wheeler components and infrastructure. And in the other industrial, smart meters and power electronics. These are the two sectors which are showing strong improvement. And in the export segment, we are having instrumentation also, taking up its own traction.

Karan Sanwal: And I wanted to understand like you highlighted a growth in smart meter contract sir. What will the proportion of the cost that would be helping the clients, for example the client is making the smart meter, so what would be our contribution to the overall cost to the smart meters?

Jairam P Sampath: The entire profitability and all the good part of the business is completely dependent on demand/supply gap, right? So if there is more supply and less demand, always there is cost pressures, and if there are more demand than supply, then there is margin relief. So today's smart meter because of the government insistence on going from the older regime of electronic, electric and electromechanical meters to smart meters, is driving the demand much higher than what is the capacity. There is hardly three, four major players who are actually into this area. So we don't expect any major undue margin pressures due to or foray into this activity. And also this is a rich segment. There are not just meters which go to people's homes, there are other equipment especially in the electrical distribution sector wherein we have also got enquiries from a lot of companies and those are all typically lower in volume, but they are also complex products. So all in all this metering segment, especially with the new generation of smart metering is a good segment to be in.

Karan Sanwal: Would it be okay to name the clients of Kavach system and the smart meter?

Jairam P Sampath: So Kavach client is Government Of India and I'm not at liberty to disclose without getting consent from them. But this is in the public domain, so you can find out, it's not very difficult to find out.

Moderator: Since we are heading towards timeline, this can be the last question. We will address the other questions offline. I now hand the conference over to the management for closing comment.

Jairam P Sampath: So thank you, everyone. We had a very enriching session here and all these questions are quite deep and we have noted down all of these questions and we will take appropriate action and also share this information internally. And if anybody wants any information, they can always reach out to us, so whatever is possible to share, certainly we will be able to share in terms of additional insights, additional view of the markets, etc., Thank you very much for taking your time and encouraging us in this journey to make Kaynes Technology a great company.

Ramesh Kunhikannan: Thank you.

Moderator: On behalf of JM Financial Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.