February 01, 2025

BSE Ltd.
Corporate Relationship Dept.,
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Dalal Street, Fort
Mumbai - 400 001

Scrip Code – 543664

National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai - 400 051

Scrip Symbol – KAYNES

Dear Sir/Madam,

Subject: Intimation of Earnings call transcript for Q3 FY 2024 - 2025.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the link for the transcript of the Q3 FY 2024-2025 Earnings Call, conducted on January 28, 2025 and uploaded on the Company's website.

Particulars	Website link
Transcript	https://www.kaynestechnology.co.in/doc/Regulation-46-of-sebi-lodr-regulation/Earnings%20Call%20Transcript%2028.01.2025.pdf

Kindly take the above information on record and acknowledge it.

Thanking You,
Yours faithfully,
For **Kaynes Technology India Limited.**

JAIRAM PARAVASTU SAMPATH

Digitally signed by JAIRAM PARAVASTU SAMPATH
Date: 2025.02.01 15:48:49 +05'30'

Jairam Paravastu Sampath
Whole-Time Director & CFO
DIN: 08064368

Enclosed:

• Transcript of the earnings call

"Kaynes Technology India Limited Q3 FY 25 Earnings Conference Call"

January 28, 2025

MANAGEMENT:	**MRS. SAVITHA RAMESH – CHAIRPERSON – KAYNES TECHNOLOGY INDIA LIMITED** **MR. RAMESH KANNAN – MANAGING DIRECTOR – KAYNES TECHNOLOGY INDIA LIMITED** **MR. RAJESH SHARMA – CHIEF EXECUTIVE OFFICER – KAYNES TECHNOLOGY INDIA LIMITED** **MR. JAIRAM P SAMPATH – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – KAYNES TECHNOLOGY INDIA LIMITED** **MR. SUMIT VERMA – INVESTOR RELATIONS – KAYNES TECHNOLOGY INDIA LIMITED** **ORIENT CAPITAL TEAM – INVESTOR RELATIONS PARTNERS – KAYNES TECHNOLOGY INDIA LIMITED**
MODERATOR:	**MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Kaynes Technology's Q3 FY '25 Earnings Conference Call hosted by DAM Capital Advisors 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you, and over to you, Ma'am.

Bhoomika Nair: Yes. Good morning, everyone, and a warm welcome to the Q3 FY'25 Earnings Call of Kaynes Technology. We have the management today being represented by Ms. Savitha Ramesh, Chairperson; Mr. Ramesh Kannan, Managing Director; Mr. Jairam P. Sampath, Whole-Time Director and CFO; and Mr. Rajesh Sharma, Chief Executive Officer.

At this point, I'll hand over the floor to Mr. Kannan for his initial remarks, post which we'll open up the floor for Q&A. Thank you, and over to you, sir.

Ramesh Kannan: Good morning, everyone. On behalf of Kaynes Technology team, I would like to welcome everyone to this earnings call for quarter 3 FY '25 results. I have along with me Mrs. Savitha Ramesh, Chairperson of our Board; Mr. Jairam Sampath, Whole-Time Director and CFO; Mr. Rajesh Sharma, CEO; Mr. Sumit Verma, Investor Relations; and Orient Capital, our Investor Relations partner.

I am pleased to inform you all that we have been able to achieve an operating revenue of INR17,373 million during the first 3 quarters of the year FY '25, which represents a strong growth of 49% year-on-year. The operational EBITDA margin, excluding other income for the first 3 quarters of the year FY '25, was at 14.2% and PAT margin was at 10.1%, which were higher by 50 basis points and 120 basis points, respectively, on year-on-year basis.

Coming to our performance for quarter ended Q3 FY '25. Our total revenue was INR6,612 million, which signifies a growth of 30% on year-on-year basis. Our Q3 FY '25 operational EBITDA was INR940 million at 14.2%, signifying an increase in EBITDA of 50 basis points over corresponding quarter of last year. Similarly, the PAT was INR665 million at 10.1%, signifying an increase in PAT percentage of 120 basis points over corresponding quarter of last year.

In the coming quarter of this year, we expect to pick up the revenue growth rates such that the annual operating revenue growth would exceed 55% on year-on-year basis and an expansion in terms of profitability for year FY '25. There is a robust growth in business outlook with the order book growth in keeping with our expectation.

Our order book surged from INR54,228 million at the end of Q2 FY '25 to INR60,471 million at the end of Q3 FY '25, industrial and EV, aerospace, medical and automotive, where the key verticals of growth in the order book were several large orders were booked. This is in line with our expectation of a robustly growing profitable and a diversified business portfolio. All new initiatives are on track and speed of implementation is gearing up with revenue start target as Q4 FY '26 for both OSAT and HDI PC boards.

We have taken position of land and started construction activities of the OSAT factory at Sanand in Gujarat and of the HDI PCB factory in Oragadam in Tamil Nadu. We have made significant growth and progress in developing and on boarding the team and customers for OSAT facility.

Integration of Iskraemeco India into our fold is underway and proceeding smoothly. The smart meter factory at Hyderabad is in series production and we are happy to inform you that several lakhs of meters have been supplied and robust and growing order book makes it mandatory to increase capacities, which we are working on vigorously.

We have acquired majority stake in an AI-based railway network safety solution company, called Sensonic, which operates globally. We believe in fostering a diverse and inclusive workplace. We are proud to have a significant number of women on our team. And now we have a couple of our large factories headed by women team members. Our success is a direct result of our team's hard work and our customers' loyalty. The enduring relationships we have built demonstrate our commitment to delivering exceptional value.

As we go forward towards our cherished goal of growing our revenues at a high CAGR, thereby becoming a large, fully integrated ESDM company. We are working on strategies to operationalize additional beachheads in terms of geographical presence, ODM capability and deepening of our technology footprints. These are critical initiatives that will take us for -- from millions of U.S. dollar revenues to billions of U.S. dollar profitability in the future.

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 Jairam Sampath to take you through our financial performance.

Thank you. Jairam, over to you.

Jairam Sampath: Thank you, Ramesh Kannan. And first of all, thanks to all the participants for joining today's call. As we start the new quarter, I'm happy to share Kaynes Technology's financial results for the period ending Q3 FY '25 and share with you the highlights of the same.

For the first 3 quarters on FY '25, we have been able to achieve a revenue of about INR17,373 million, which represents a strong growth of 49% year-on-year. The operational EBITDA stood at INR2,431 million with a year-on-year growth of 53%.

For Q3 FY '25 consolidated total revenues were INR6,612 million, representing 30% year-on-year, and consolidated EBITDA for the quarter was INR940 million, showing a 35% increase in the year-on-year. The EBITDA margin for the quarter stood at 14.2%. Our consolidated PAT for the quarter was INR665 million, up by 47% year-on-year and PAT margin for the quarter stood at 10.1%. Consequently, our ROE and ROCE adjusted for unutilized portions of proceeds is at 17.3% and 17.7%, respectively, for the first 3 quarters of FY '25.

Our order book surged from INR54,228 million at the end of Q2 FY '25 to INR60,471 million at the end of Q3 FY '25. We have monthly order inflow grew from INR3,188 million in Q2 FY '25 to INR4,285 million in Q3 FY '25.

Net working capital days at the end of December quarter was 107 days, which is smaller than the previous year same quarter figure of 117 days. Our inventory days was 117 as we have made advanced purchases, keeping in mind the requirements of the upcoming quarters as we plan to execute revenue as per the expectations in FY '25.

With the expected ramp up of our revenues in the coming quarter of FY '25, we are confident of making good improvements in the average net working capital days for the end of year FY '25.

Our OSAT project is underway in Sanand, Gujarat following government approvals for capital subsidy. We have provided regular updates on the construction progress, we'll provide -- having completed the ground-breaking other developments already. We've also secured government approval for our HDI PC board project in Tamil Nadu, and we'll be sharing updates on that as well. Both projects are -- will start yielding significant revenues from the Q4 of FY '26 as planned.

Before I end the call, I would like to thank DAM Capital for hosting this earnings call, and we'd like to thank all the participants for committing their valuable time for attending this call.

Now I leave the floor open for questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: Good set of numbers. So first question would be on the margins front. So what makes us confident that going forward, we will have a better margin in terms of net margins as well as the operating margins? So if we see that regularly going forward, our expenses would definitely increase based on our new contracts with the clients that we are acquiring as well as the new talent that we need to acquire for the purpose and also our interest costs and other depreciations would also increase. So what makes us confident?

Jairam Sampath: Yes. So thank you for this question. So essentially, the margins have 2 drivers. One driver is, of course, the gross margins, which is depending on blend of business. And as we talked about it during our Managing Director's initial remarks, the order inflow has been in the areas like industrial, aerospace, IT, medical, etcetera. So those are high-yielding areas. So that pushes up the gross margins better than what has happened in the past.

The other source of margins is also the operating leverage, which has actually deleveraged in the last quarter, but we've added newer teams. We are adding newer teams into our fold, mainly we had an acquisition in the U.S., we had some acquisitions in India and so on and so forth.

So these teams revenue will start ramping up from the fourth quarter onwards. So we'll start seeing some better operating leverage to coming up. So we are confident that our EBITDA margins will definitely be better than what we had projected. And for the year, we are confident of exceeding 15% EBITDA based on these 2 trends.

As far as the employee cost is concerned, I have already broadly explained to you the construct because we have onboarded newer businesses. And there, the costs have kicked in, but the revenues yet to kick in, and that's likely to happen in the fourth quarter. So we are confident that this -- from now on, you'll start seeing some better operating leverage with the revenues going up.

Sanidhya: You want to highlight some -- share some highlights on what are the bifurcations in terms of order book? Or should we assume that the...

Jairam Sampath: No, I can tell you broad -- I'm not at liberty to share exact numbers, but our order books have significantly come in the area of aerospace and defense, then smart meters, then automotive, especially exports and the medical and then IT. And these are large orders, each order is in excess of -- each of them is in excess of INR300 crores to INR500 crores execution. Of course, execution is spread over a time frame, depending on the kind of business that we do with them.

Moderator: Sorry to interrupt Mr. Sanidhya, I would request you to rejoin the queue for your follow-up question. The next question is from the line of Ankur from HDFC Life.

Ankur: Two questions. One was on the Rail segment, where we see this decline both 9 months and also for the quarter. So if you could just help us understand what's the reason behind that? I would assume there's been some delays and offtakes there. So if you could just help us what's happening on the rail side.

And similarly, on the industrial business, also, if I understand right, there were some delays on shipments of smart meters. So if you could just help us understand, is that a one-off or what's really happening there? And how are we seeing Q4?

Ramesh Kannan: JPS, I will take this question. Ramesh here. So what is happening is the impact of earlier delays of ordering and then projects went on slow during election time is being seen slowly in the last quarter. And in the coming quarter, I'm sure it will get picked up, but definitely, in the next 2 quarters because order inflow has increased. So that is a pattern of expansions are happening.

But earlier, there was a slowdown. But at that time, we had enough projects under approval stage and completion stage, so we could ship it out. Today, there is -- offtake has come down slowly. Then in our meter side also, we are new company. We have just started manufacturing. So there are some small delays in the factory doing productions and then shipments going out and all. So these are all one-off cases. It will catch up in the next 2 quarters, this quarter and the coming quarter. Hope, I have answered your question.

Ankur: Sure. I get it. So now that with orders picking up, execution will also start picking up and...

Ramesh Kannan: Exactly. If you see my order book has really grown up. So this is a one-off case only.

Moderator: The next question is from the line of Dhananjai from ASK Investment Managers.

Dhananjai: Sir, I wanted to understand, apart from automotive and industrial, how are we looking at the other segment scale up in terms of medical, IoT? How are they scaling up? And (b), regarding our capex for the next few projects, how would the IRRs look on those because there would be some mismatch in terms of payment and collection from the government for the same, right?

Jairam Sampath: Yes. So Dhananjai, so broadly, you're looking at the order inflow from the non-traditional sectors that is things like medical, etcetera. So I'm happy to tell you that in medical, we have acquired a large client and we are having successive RFQs coming in. And so this is a European-based company, which has acquired some companies in the U.S. too. And so these are large businesses.

We were lacking this large client deal in medical, which has been fulfilled. On the IoT and IT front, the business is coming as we expected. One of the largest government customers is with us, and we are likely to see some good expansion in this business in the coming year too.

In terms of -- if I understand correctly, you're talking about government support and subsidies, etcetera. We don't depend so much on production-linked incentives at this point in time. Of course, we do get some benefit in the IT sector as we are PLI holders there. But our help comes more in the capital subsidy front, and we have seen absolutely no trouble in terms of getting our papers through, etcetera.

And since we got our semicon assembly approvals a tad later, that is post-election, so the process has got maybe delayed about 2, 3 months, but then that has nothing to do with the government's process. And we find that all the agreements and processing, etcetera is pretty much on time. So we don't expect any major delays in the capital subsidy front as of now.

Dhananjai: Sir, but there would be a mismatch, we will have to do a capex first and then the capital subsidy would come in later. Is that correct understanding?

Jairam Sampath: Yes. So there are 2 different projects. There is a project in semicon, wherein there is a capital subsidy from the central government, it's about 50%, and it comes in pari passu, that means comes in advance of investment. As soon as we put in money, government also puts in money.

There is a small portion, which is 20%, 25%, which is state government, which comes post commencement of operations. So that is somewhat like a reinvestment, but that's also a cash subsidy only. So the delay is only in the first series of implementation of capex. And thereafter, it's a cyclical. So central government subsidy in semicon comes in advance and the state government subsidy comes as a post of commencement of operation.

As far as the PC board is concerned, both of them are linked to commencement of operation, which is like 9 months from the start of projects, typically. And so both central government and state government subsidies will come in 9 months. So we manage the, let's say, implementation projects through our equity and some small amount of debt that we will take and which will be kind of paid back by these government subsidies that come in post commencement of operation, which is like a 9-month delay, basically.

Dhananjai: Okay. There will be a delay. And sir, finally, just how much capex are we going to do over the next 2 years? And could you break it up by segments, so we have an idea?

Jairam Sampath: Yes. So as far as the EMS business is concerned, I think it's a kind of self-funded now, and we expect at least capex anywhere between the range of INR200 crores, INR300 crores per annum coming in because that has to help in terms of doing the additional volumes that we expect in the FY '26 and '27, etcetera.

As far as the capex for semicon is concerned, the total capex is about INR3,300 crores, out of which 70%, 75% comes from central and state government, remaining is our equity, and so that's semicon. And then that will probably get consumed by FY '28-'29 time frame. And similarly, for HDI PC board, we have a capex of about INR1,400 crores. And this also will consume fully by about FY '28-'29. And here also close to about 50%, 60% is the state and central government's share in terms of capital subsidy. The remaining is what we put up.

So over the next -- almost INR4,800 crores of capex is likely to be coming up till about FY '28-'29, starting from this year, in the newer projects, which is the semicon assembly as well as PC board. But the bulk of it is -- in terms of 60% to 70% is -- 60% to 75% is about government subsidy. So the cash outflow from the company will be much lower.

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

Siddhartha Bera: Sir, first question is on the smart meter side. We have seen a couple of new states also sort of giving orders, I think Bihar and Rajasthan. So if you can just guide us about order book in smart meters, how much are we planning to execute over the next 1 year, if you have got anything more?

And second is, basically on this guidance cut also for this year, is it more of pushback to next year because you said that you're going to catch up the lost cut of revenues in the current quarter in a couple of -- in the coming quarters. So some sense there, the reason for the cut and how should we think about next year?

Jairam Sampath: Yes. Thank you, Siddharthaji. See, fundamentally, let me answer the second question first. So this guidance cut is more like time frame is not available. See first 2 quarters, we probably should have done a little more in -- in a regular year, we should have done more in the railways and all those sectors, which obviously due to elections, etcetera, got tad delayed.

And as we now move -- we have completed 3 quarters and pretty much very near the year-end, right, January is almost complete now. So we find that physical time availability for the execution of all those orders, it will be putting too much pressure into the system, trying to maintain the original number. So the order still remain on our book. If you see the order increase is there every month, INR415 crores, INR420 crores per month of order inflow compared to INR360-odd crores last quarter, which is a significant increase. So these will get executed. It's a continuum, right? So we continue to execute this quarter, that is last quarter of this year and next quarter, too.

The other question that you had on the smart meter, we started getting -- of course, I'm not at liberty to tell you exactly where, but we -- earlier, we started with mainly PGCIL-based orders. And now 3 more states' orders have been added and also some AMISPs orders also have been added. So these have been -- so let's say, 4 new set of large orders have been added post acquisition of Iskraemeco. And we can definitely, on our next running 12-month period, do almost INR1,000 crores kind of number in the smart meters alone, that's a clear possibility. Let's see where we get there.

Siddhartha Bera: Understood, sir. And in the other segments like probably aerospace as well as railways, I think the execution has been a lot slower. So we were expecting some stronger ramp up in the next year in FY '26. So some thought process there, where are we in terms of the execution and seeing the benefits in the order book and revenues?

Jairam Sampath: Yes. So as far as aerospace is concerned, now we have secured orders and aerospace, I think, is coming back to its expected numbers. So we can get to a larger number on an annual basis. Maybe in FY '26, we can expect some significantly higher numbers than what we have seen in the past.

As far as railway is concerned, I think we're just starting up. This quarter, we have cited some orders, and I'm sure post budget, which is going to be announced sometime in a short while, so post that we will get clarity on exactly when the government plans spend. But it's our expectation that next 4 years' time frame, I think with all the election troubles and all the other U.S. trouble is also behind us, hopefully, government will get on to its job of infrastructure building.

And then railway is a key part. It's almost got delayed by 2 years now. And so we expect in FY '26 also significant resurgence in our railway business too. With also our Kavach program coming in, so this year, we will complete the POC and next year, we'll probably start delivering revenues on Kavach too.

Ramesh Kannan: As far as -- no, one minute, I also wanted to add on this. As far as aerospace orders are concerned, we are well within what we have projected, and you will see a real good remarkable execution in the year '26 onwards.

Moderator: The next question is from the line of Rahul from Haitong Securities Private Limited.

Rahul: Many of my questions are answered. I just have 2 small clarifications. One, if you are confident, I mean, in your guidance, you've indicated of 15% margin. This gross margin of 30%, you're confident of that number also or that will be volatile based on the mix?

Jairam Sampath: Actually -- yes, Rahulji, thank you for your question. So like I said, the profitability get determined mainly is gross margin and then operating leverage. So the good news is that this year, we have come back towards the kind of gross margins that we normally deliver in our business. And that is based on the blend of business, which is based on the order book of about INR6,000 crores.

So it won't materially change all of a sudden. It will slowly improve with more and more orders coming in the higher-yielding sectors. They could be medical. They could be aerospace, railways and all of these kinds of industrial, etcetera, etcetera. So you can see stability in the margin, if not an improvement, gross margin levels.

Ramesh Kannan: Yes. Our team exercises orders only within whatever our range of orders. So our gross margin will be upward north of 30-plus.

Rahul: Okay. The second question is in your order book, which -- where we've seen a significant jump. Can you tell us how much is export? And if possible, the U.S. share, if there is anything that you all are doing for the U.S. market?

Jairam Sampath: There is -- okay, these are international exports, part of it could be U.S. So roughly in a INR6,000 crores order book, recently, we've got about INR800 crores worth of exports locked in, which is in addition to whatever earlier 10%, 15% used to be exports. So you can see in the order book perspective, also it's increasing. And next year, by fourth quarter, the other 2 businesses, which is PC board and semicon assembly is also start-up, which will primarily have exports. So from that perspective, next year for FY '26, you can expect 20%, 25% of business being export.

Moderator: The next question is from the line of Renu Pugalia from IIFL Securities.

Renu Pugalia: Just 2 short questions. One on the revenue guidance, just want to -- on the annual guidance, I just want to reiterate, you mentioned 15% margins, that's for the quarter or on an annualized basis for the full financial year?

Jairam Sampath: Yes. So revenue guidance will be somewhere between INR2,800 crores and INR2,900 crores. And the margins will be 15% plus for the year.

Renu Pugalia: For the year. And basis, your comments on the mix of order book, do you think these margin profiles are comfortable and maintainable in the next fiscal year as well going ahead?

Jairam Sampath: Yes, yes, they are imminently feasible based on whatever orders have been set for execution. We also completed 1 month. So we are quite confident what we are saying now.

Ramesh Kannan: We have done our sensitivity analysis, and it is very clear that we will have this margin.

Renu Pugalia: Perfect. Secondly would be on the QIP. There are quite a few queries here. Recently, there were some announcements. So can you help us understand what are the kind of funding requirements we have for the business? And to what extent these will be met through the external funding that we are planning? And any time lines do we have for these external funding?

Jairam Sampath: Yes. So Renuji, basically, we are right now getting an approval from EGM, so that we can execute the QIP in a short, let's say, time frame. The QIP essentially is being done for the future in mind and not for the current businesses. Current businesses like ESDM, semicon assembly and PC board assembly, they are now funded enough for next, let's say, up to about FY '28-'29 time frame. And then thereafter, we will look at -- and some of it will start turning in cash and then they probably will be on their own growth path.

So this -- as far as this potential QIP that we talked about is concerned, is to help our strategy. There are three-pronged strategy that we have, which is in aid of preparing for future. So come FY '28, we have a nice target of about $1 billion, etcetera. But beyond that to grow we needed additional beachhead. So first is the geographical beachhead.

That means we want to extend our footprint into bigger geographies like U.S., etcetera, North America, so -- and that's not possible by organic growth and starting up. So we need to acquire some good companies with reasonable profitability and similar businesses and maybe a good price point. So that is one use for the funds that we are talking about.

The other one, of course, we have worded the entire QIP in a generic form, but inorganic acquisition and those kinds of things are some of the major, let's say, uses. The other uses could be something like an ODM. We are enthused by investment into companies like Sensonic, etcetera. So that opens out the whole new range of solutions for us, wherein design becomes our key focus area, and that helps us to shore up the margins also. So as part of growth, we have geography. As part of margins, we have ODM.

And the third one is we also believe that in the areas such as, say, semicon and all other areas, we should also have some technology footprint deepening. That means we should be in a position to strengthen our credentials in certain niche areas, which are -- now we are getting access to.

And so you'll be happy to know that in the newer areas like high-density PC board and the semicon assembly, we've been able to, let's say, in advanced talks with some very good clients. And so it's even better than what we thought earlier. So in that thing, we need to also extend that, let's say, trend and make some inorganic investments in areas which can strengthen our credentials in those new technology areas.

So our QIP, with the potential QIP, is going to be used for strategically shoring up, a, additional geographies, which could be North America, Europe and South Asia; B, it could be ODM; and C, it could be technology footprint deepening.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP.

Garvit Goyal: Congrats for a good set of numbers. I have 2 questions. One is on broad macroeconomic environment. So our company caters to various end industries like auto industrial, aerospace, including railways and semiconductor as well. Can you please honestly guide on like based on whatever discussions happening with the respective ministries like we all know that it's all capex story.

And we all know our government is expected to play a great role here. So do you see budget cut at their end? Or are they looking to take back step here and mobilizing the funds from growth of the nation to any other area? Or are they looking to do it to control the fiscal deficit? So what's your take on this?

Jairam Sampath: Yes. So there are 2 parts to your question, I think. One part is on the commitment of money in terms of subsidiaries, etcetera. So those are done and dusted through government orders already. So we don't see any variance in that. As far as government purchases are concerned, I think there have been sectors which have been carved of these purchases while they were very important for the country like safety of railway network, improvements in the power infrastructure, telecom and all of that.

And so we think that over the next 4-year time frame, government will definitely make steps to make these investments come through. And as is the government's policy of Atmanirbhar Bharat, they are going to give prominence and they're going to give preference to Indian companies to do both design and manufacturing.

So we think that, that augurs well for all of us. So our take is that government will get back into this entire infrastructure push and especially which requires electronic components like the 3 areas that I mentioned. And also the other area of which our Honorable Prime Minister has also mentioned of using more and more PARAM Rudra to the supercomputer-based server to improve the, let's say, technical capabilities of our R&D science and admin networks.

Garvit Goyal: So in the upcoming budget, you are very much posting towards our end industries, right?

Jairam Sampath: If I understand the sense of the question, in the current budget, we will see some beginnings of government's intention towards investing into electronic infrastructure in many areas.

Garvit Goyal: Understood. Understood. And sir, like China has unveiled DeepSeek, right, a new AI that is more efficient and cost effective as well as compared to the existing GPTs and we are also like entering to the chip manufacturing. So is it going to any way impact our plans or our projections in the terms of lower chip prices going ahead?

Jairam Sampath: So as far as the semicon manufacturing is concerned, we work with a global supply chain. So most of our customers are also global. So most customers have presence in manufacturing in Taiwan, China and Malaysia, Thailand, U.S., etcetera. So we don't see any changes in that. However, the implication of DeepSeek, the way it has been construed is from a different perspective than manufacturing. I think it's more in terms of technological leadership and security-related concerns that countries seem to have.

But it's -- of course, we really don't know which way this will pan out, but I don't think it will change the landscape of manufacturing as such. We'll still require good advanced packaging capabilities and India would still require capacities in semiconductor manufacturing, PC boards, etcetera. And like I made the initial remarks, we talked about -- we have now cited good customers who are now talking to us in terms of fine-tuning the capex so that they can give us the orders, etcetera.

So from a manufacturing perspective, it will only improve the amount of, let's say, technology production. Yes, from political and other constructs, it may cause some little, let's say, anxiety in the short term.

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

Deepak Krishnan: I just wanted to sort of understand how much of -- so we've sort of given a revenue guidance of INR4,500 crores for next year in one of the television interviews. Just wanted to sort of understand, does that include any of these future M&A that you are sort of thinking of? And this related part two that is what is sort of the revenue potential that we are seeing from some of these M&As and tuck-in acquisitions that we sort of announced?

Jairam Sampath: Yes. So whatever projections we talked about for FY '26, right now it does not have any of the acquisitions, etcetera, because we have not earmarked for these acquisitions. We have some, let's say, in the pipeline, we are evaluating them, okay? So we are talking about our existing ESDM business plus PC board business and plus semicon business, yielding revenues and then going to whatever number that we talked about. So these -- also the profitability projections and everything else is also based on the existing set of projects and business.

Deepak Krishnan: Sure, sir. And maybe just wanted to sort of understand, obviously, we've sort of seen a minor deferral this particular quarter, largely linked to smart meters and some of those products. But anything else that we have kind of seen from a hiccup perspective, given that we've expanded rapidly from isolated Chamarajanagar now to Hyderabad and all these new facilities. From a capability perspective, how are we sort of positioned that in terms of team, in terms of size such that these kind of hiccups, there is a lower probability of that sort of happening in the future?

Jairam Sampath: Yes. So Deepakji, we must, first of all, understand that this production and all of these things are continuum, right? So we set up capacity. We expect them to fire up a little earlier. Sometimes it takes a little longer, especially if there are significantly different, let's say, larger capacity like Hyderabad factory was a new factory. And so a lots -- now, of course, this is running full steam. It took a little bit of time when you implement a new factory. So these kind of hiccups will happen probably in the future too, but they will not be significant in nature to, let's say, change the cumulative business potential or cumulative business delivery.

So yes, maybe 1 quarter, some little less and 1 quarter a little more will be there, but that's the nature of how expansion happens. Like now we're going to have semicon assembly coming in. So now we are taking lessons from the previous new projects to see to it that we don't get into similar situations and delay our revenue delivery. So we are kind of pulling in a little bit the plans for revenue delivery in semicon and in PC board, etcetera. So that even if there is a practical delay, it does not affect the commitment to our customers or market success.

So we are taking those lessons and building in some little buffers. But this is a continuum. So if you miss something now, it continues and it gets delivered later. So yes, there will be, obviously, as we go along, challenges in execution. But now we have also onboarded a lot of people. You will notice that employee costs have gone up and so on. So we have onboarded newer companies, new top management, new, let's say, technical management, etcetera. So we are honestly looking at making sure that we have enough of bandwidth in the manpower so that we can address all of these emerging businesses.

Moderator: The next question is from the line of Bharat from ASK Investment Managers.

Bharat: For the current year, when you talk about margins exceeding 15%, I suppose you mean operating margins without counting other income, right?

Jairam Sampath: Yes, sir. This is just your operating EBITDA.

Bharat: So other income is in addition to that?

Jairam Sampath: Yes, other income will be in addition to that because that is -- does not require us to do anything, so yes.

Bharat: And over recent quarters, our other income seems to have increased sharply. So anything special there?

Jairam Sampath: No, sir. Actually, when the year-on-year basis, if you see, so the last year, same quarter, we had not got the QIP proceeds. This year, we have the QIP proceeds. So whatever income comes out of unused QIP proceeds is showing up as other income here, essentially. Otherwise, there's nothing different. So operating income also has shown an increase, at least I think if I recall correctly, about 40 basis points compared to last year.

So that, of course, the operating income increase is driven by gross margin increase. And of course, we had a little bit of increase in employee costs and other costs. But despite that, we are able to deliver and then maybe next quarter onwards, this will also get leveraged. So hopefully, we'll be able to do this 15% plus of operating EBITDA for the whole year.

Bharat: And for the years of '25-'26, we are talking of operating margins without other income of 16%?

Jairam Sampath: Yes, that's the target, 15% minimum, 15% is the standard margin that we talked about. We are hoping that some more leverage of expenses will happen. And so some percentage of expenses will come down because all of these new businesses that we have acquired will start also firing up on revenues. So yes, we are thinking of between 15% and 16% of EBITDA, which is on operating income basis.

Moderator: The next question is from the line of Akshay from C D Integrated Services Limited.

Akshay: Sir, my first question is regarding the electric vehicles. So this year, EV models is expected to surpass the ICE models. And we have seen many new launches of the EVs in the Bharat Expo as well. So how do we see our EV business picking up in the FY '26 and in the coming years?

Jairam Sampath: Sorry, I didn't get it clearly. Can you just repeat the gist of your question please, if you don't mind?

Akshay: Is it better now?

Jairam Sampath: Yes, better, sir. Kindly repeat, sorry I couldn't get it.

Akshay: Yes, yes, yes, not an issue. Sir, I just wanted to ask about the EV. So in Bharat Expo, we have seen many new model launches in the EV and it is expected to surpass ICE model. So how do we see our EV business picking up? And can you give us some color on our customer fronts as well?

Jairam Sampath: Excellent, excellent. So basically, EV business, of course, 1 year ago -- 1, 1.5 years ago, we used to do only four-wheeler EV. Last year, we added two-wheelers. So now we have added three-wheeler EVs too and also EV infrastructure chargers, etcetera and some EV components. So what we have done as a company is that we have added a richer portfolio of EV production into our fold, and -- so we are ready to deal with whatever orders that they are there.

Obviously, as we go forward, EV business will depend on marketplace, maybe the two-wheeler is already stabilized, and it's getting into some kind of a regular business. Four-wheeler, of course, a lot of experimentation, a lot of new models coming in. And infrastructure, yes, it's out there, significant investments probably will be made in the coming years. So we are geared up to deliver whatever EV business requires both in terms of two-wheeler, four-wheeler, components and infrastructure. So we have clients in each of these areas. So whichever fires up, I think we stand to benefit.

Akshay: Okay, sir. And sir, my second question is regarding the OSAT facility. So how confident we are to commercialize our OSAT facility in Sanand from the half 2 of FY '26? And a follow-up on that would be that margins we have said earlier, we have said that OSAT facilities margin would be higher in excess of 20%. So can our blended margin, what we have guided for 15% can be that increased in FY '26 and the ongoing FY '27, FY '28?

Jairam Sampath: Yes. So I'll answer your second question first. The blended margins in FY '26 will not be significantly altered because only fourth quarter we will kick in. And also the initial stage of production, we may not be able to maximize the margins. But yes, going forward FY '27, '28, etcetera, our margins will be significantly higher in the OSAT area, which we have mentioned, will be similar or even better.

So as far as the project progress is concerned, we have already acquired the land. Bhumi pujan is done. Development is happening right now. And maybe the first building is under construction. So probably by the first half of next year, we should have the factory running, and we also want to target to kind of onboard some customers by that. But our real revenues will start in the fourth quarter of FY '26.

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

Keyur Pandya: Sir, just one accounting question. So what is the cash flow from operations for 9 months? And related question is that the kind of growth guidance that you are giving for core business, INR4,500 crores of revenue next year, that incremental INR1,500 crores of revenue would require ballpark INR500 crores of working capital requirement. So I mean, looking at our balance sheet from net cash to net debt because of our growth journey, so how this net cash, net debt position and OCF would look, say, in FY '26?

Jairam Sampath: So firstly, FY '25 itself, we had earlier talked about an OCF which was a significant portion of our EBITDA supposed to be. For some reason, up to third quarter, we have not been able to, but I'm confident that by fourth quarter, we will have definitely positive cash flows. OCF will be certainly positive.

How much percentage of EBITDA will be OCF positive, we will have to see depending on how the working capital numbers fall in. So we had also projected an increase in net working capital days from last year's 85 days to average net working capital to a smaller number. We are attempting to do that. I don't know exactly how -- where we will reach, how much, let's say, money will get speed up by reducing the net working capital because also next year's numbers have to be done and so there will be some, let's say, pressure towards increasing inventory for April, May, June execution, etcetera.

But having said all of these things, see fundamentally for the FY '25-'26, if you were to look at, the additional revenues, at least 2/3 of it comes from our business in EMS business and then maybe 1/3 or less than 1/3, a little more than 3/4 and 1/4, let's say, additional comes from newer businesses and 3/4 comes from the existing businesses. And so they would require some additional, let's say, working capital support.

So we are going to make sure that we work with our suppliers. Already we have talked to them. This program is a bit, let's say, delayed right now. We probably should have done it by now, but anyway, it is taking some time to keep local stock so that our inventory days can be controlled so that we don't have to invest so much into working capital.

Second thing is we're also talking to many customers in terms of recourse-less financing from their side. So they also have strong balance sheets and so on. So with these together, hopefully, next year, we may not have -- we have less than proportional increase in our borrowings, etcetera, and make sure that we are able to improve the ROCE much better than what we have this year.

Keyur Pandya: Okay. Just one follow-up. These 2 projects, PCB and OSATs are part of investment by what -- I mean, what are the time lines for, say, deployment of cash for, say, FY -- I mean, by what time you will deploy entire planned capex for these 2 projects?

Jairam Sampath: Yes. So the total -- let me take the semicon project first. For semicon project, total capex is INR3,300 crores. And as we said, barring some land and building, etcetera -- land, building and certain types of these things, there's an eligible capex. And out of that, central government gives 50% and state government between 20% and 25%. We're discussing with them about 25%, but at least 20% will be there.

So 70% of the eligible capex comes from the central government -- from the government. And the central government's share of 50% comes on pari-passu basis, which is like in advance of the expenditure. The 20% or 25% of the state government comes in as reimbursement post commencement of operation. So that comes with -- let's say, if the central government gives it today, that will likely to come between 6 to 8 months later. And so that's the way in which it will happen.

Of course, we have to bring in our equity portion along with the central government's money. So our money, central government's subsidy act together and then 9 months -- 6 to 9 months later, the state government subsidy comes in.

As far as the PC board is concerned, there are INR1,400 crores of total capex. And we've been able to secure close to about 60%, let's say, government subsidy, both central and state put together. In this case, they are not coming in advance, but they all come within a year, and they all come on commencement of operations. So there is 6 to 9 months. So we put in our money first, our share and start getting the government's this thing after 6 to 9 months. That is commencement of operation, but they are also cash subsidies, they are not in kind.

Moderator: The next question is from the line of Aniruddha Joshi: from ICICI Securities.

Aniruddha Joshi: Congrats for good set of numbers. Sir, if we look at the guidance of INR2,800 crores and 9 months results versus last year Q4, so we are looking at roughly 67% to 70% revenue growth in Q4 and to maintain 15% margin for the full year, we are looking at a 16% plus margin in Q4. So is this understanding correct?

Jairam Sampath: Yes, it is correct.

Ramesh Kannan: You are right because we are going to -- this is Ramesh Kannan here. We are going to exercise orders of our aerospace and defense, which had actually pushed out for the last quarter. So we have calculated this. So your calculation is right.

Aniruddha Joshi: Okay. Sure, sir. This is very helpful. And second and last question. Now we are seeing a massive amount of consumption slowdown. And in order to boost the consumption back, the government is coming out with various schemes like Ladki Bahin in Maharashtra or even in Delhi, we are seeing some promises, etcetera. So with that, do you think that there might be some slowdown in the investment-related projects as government may prioritize consumption-related themes a bit more. So any broad understanding on that will help.

Jairam Sampath: I'll just answer this question. So see, so far, we have seen a "consumption starved" market already. And so whatever revenue growth we are showing is on the face of not very high government investment into infrastructure and all that. So it can only go up because there are certain essential investments that government has to do, like it has to do with railway safety. Railway is one of the primary modes of the transportation for citizens of the country. And so almost 2 years have been -- kind of 2 years have passed since government themselves made a determination that they have to upgrade 6,000 stations, and they have to put Kavach, etcetera.

So we are hoping that this budget will make a beginning. So we don't see any risk. In fact, we see an acceleration. And also the other projects like telecom, etcetera will become very important for national security. As you know, the telecom infrastructure is what it is using all different types of nationalities of equipment.

And I think government has a program to make it completely indigenous-driven technology to -- for our safety security. So the kind of areas which help us are essential areas. So even if there is a pressure, it will be non-essential areas investment that may get cut and not really essential areas, and we work on the essential areas.

Moderator: Mr. Aniruddha, does that answer your question? Due to no response, we will move on to the next question. The last question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: I have a couple of questions. In the TV interview and over here also, you talked about U.S. acquisition. So just to understand what kind of ticket size, what business profile are you looking at? Is it more on the downstream or similar EMS business?

Jairam Sampath: Yes. We target low ticket size, anywhere between INR35 million to INR50 million a piece. We target companies which are similar or better in terms of profitability. And we target companies which are working in areas which are -- where we don't have ourselves a good portfolio of business. And we are also working for companies which can culturally be entwined into our own system. The basic idea is that in respective geographies, we must have footprint there itself to grow the business. So it gives us some good starting, let's say, quantum of business, which we can -- so that's the kind of criteria for acquisitions that we are talking about.

Indrajit Agarwal: Sure. My second question is at the current gross block level of the EMS business, what kind of revenue can we clock?

Jairam Sampath: So current gross clock, see, the assumption embedded in that is that post-IPO, already, I think there's still about INR40-odd crores left to be invested out of those funds. So let's say, that will give us this year, let's say, anywhere between INR2,800 crores, INR2,900 crores plus that INR40-odd crores can give us another INR300 crores.

So let's say, about INR3,100 crores we are good for. And there will be investments also. By end of the year, some cash generation also will be there. So we'll probably invest another -- on an ongoing basis, about INR200-odd crores of investment. So we can say that roughly the EMS business is good to grow anywhere between 40% to 50% on its own by generating its own revenues and then implementing capex.

Indrajit Agarwal: Sure. And lastly, it's been a while -- almost quite some time that you have acquired Iskraemeco. So any difference in the working capital days over there versus your existing business?

Jairam Sampath: Iskraemeco. No, no, actually, it's exactly the way we thought and also slowly the complexion of business is also changing for Iskraemeco. So the problem that we face is not because of that. In fact, that is helping us actually in terms of quick turnaround because they are all simpler businesses to do in the sense the variety is lower and it's a technology-driven business. So we don't see any negative effects of that.

Moderator: Ladies and gentlemen, we will take this as the last question. I would now like to hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited, for closing comments.

Bhoomika Nair: I would like to thank everyone for participating in the call and particularly the management for giving us an opportunity to host. Wishing you all the very best, sir. And any closing remarks from your end?

Jairam Sampath: Thank you.

Ramesh Kannan: Thank you for everybody in participating. JPS, you want to add anything?

Jairam Sampath: No, that's all. Thank you. Thank you very much. It was a good set of questions, and we are also available for any -- now that we are out of the silent period, so you could contact us and we can give you further explanations on any of these numbers that we have put.

Ramesh Kannan: Thank you.

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