



August 05, 2025

BSE Limited

Corporate Relationship Dept.,
14th floor, P. J. Tower,
Dalal Street, Fort
Mumbai - 400 001

National Stock Exchange of India Limited

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

Scrip Code – 543664

Scrip Symbol – KAYNES

Dear Sir/Madam,

Subject: Intimation of Earnings call transcript for Q1 FY 2025- 2026

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the link for the transcript of Earnings Call for Q1 FY 2025-2026, conducted on Thursday July 31, 2025 and uploaded on the Company's website.

Particulars	Website link
Transcript	https://www.kaynestechtechnology.co.in/doc/Regulation-46-of-sebi-lodr-regulation/Earnings%20Call%20Transcript%2031.07.2025.pdf

Kindly take the above information on record and acknowledge it.

Thanking You,

Yours faithfully,

For **Kaynes Technology India Limited**

Anuj Mehtha

Company Secretary & Compliance Officer
ICSI Membership No. A62542

Enclosed:

- Transcript of the Earnings Call

KAYNES TECHNOLOGY INDIA LIMITED

CIN: L29128KA2008PLC045825

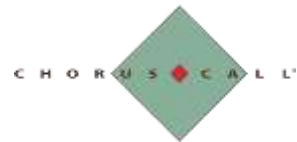
Website: www.kaynestechtechnology.co.in Email ID: kaynestechcs@kaynestechtechnology.net

H.O & Regd Office: 23-25, Belagola, Food Industrial Estate Metagalli PO, Mysore 570016, Karnataka, India

Telephone No: +91 8212582595



“Kaynes Technology India Limited
Q1 FY '26 Earnings Conference Call”
July 31, 2025



MANAGEMENT: **MS. 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 SAMPATH – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – KAYNES TECHNOLOGY INDIA LIMITED
MR. SUMIT VERMA – INVESTOR RELATIONS – KAYNES TECHNOLOGY INDIA LIMITED
MUFG – INVESTOR RELATIONS PARTNER

MODERATOR: **MR. NIKHIL KANDOI – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Kaynes Technology India Limited Q1 FY '26 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikhil Kandoi. Thank you, and over to you, sir.

Nikhil Kandoi: Thank you, Anshuka. Good morning, everyone. On behalf of Axis Capital, I would like to welcome you all to the Q1 FY '26 Earnings Con Call of Kaynes Technology India Limited. We have with us the management today being represented by Mrs. Savitha Ramesh, Chairperson of the Board; Mr. Ramesh Kannan, Managing Director; Mr. Jairam Sampath, Whole-Time Director and Chief Financial Officer; Mr. Rajesh Sharma, Chief Executive Officer.

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

Ramesh Kannan: I am Ramesh Kannan, Managing Director, Kaynes Technology India Limited. Good morning, everyone. On behalf of Kaynes Technology team, I would like to welcome everyone to the earnings call for Quarter 1 FY '26. 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 Relationship; and MUFG IR, our Investor Relationship partners.

Let me now walk you through our present performance for Q1 of FY '26. Our total revenue stood at INR6,735 million, reflecting a year-on-year growth of 34% Operational EBITDA for the quarter was INR1,130 million, marking a strong growth of 69% compared to same period last year. This translates into EBITDA margin expansion of 350 basis points over Quarter 1 FY '25.

Similarly, our profit after tax came in at INR746 million, representing a PAT margin of 11.1%, which is an improvement of 100 basis points year-on-year. Our order book continues to show steady and healthy growth, increasing from INR50,386 million in Q1 FY '25 to INR74,011 million in Q1 FY '26, reaffirming the strength and visibility of our business pipeline.

Our projected acceleration in revenue growth reinforces our trajectory as a resilient long-term value creator and a consistently high-performing company in the industry. With a solid foundation and clear strategic direction, we are confident in our ability to sustain this performance and deliver predictable long-term growth, positioning Kaynes as a company that all our stakeholders can rely on well into the future.

This year, our performance has not only been strong in absolute terms, but is also setting industry benchmarks for the growth of EMS companies in India. Despite facing macroeconomic headwinds and global uncertainties, Kaynes has stood resilient, consistently delivering on our strategic priorities.

This underlines the strength of our diversified business model, deep customer relationships and relentless focus on execution. We continue to sustain profitable growth, while driving efficiencies across operations. Our growth momentum spans across all business verticals with particularly strong traction from new clients in the electric vehicle industries and aerospace sector, industrial sector and rail sector.

This underscores our vision to build a future-ready, robust and profitable business portfolio. We are also witnessing a strategic shift from being a pure EMS company to becoming an integrated ESDM company. This revolution positions us to serve high-volume customers across sectors, which enhanced ownership of product life cycle and deeper strategic engagements. Our international expansion strategy is yielding results.

With the acquisition of August Electronics in Canada, we have scaled our EMS capabilities in North America, gaining a manufacturing footprint and access to large high-margin customers. This strengthens the Canada India value proposition, as a reliable and strategic alternate to China-based sourcing, offering global clients both proximity and flexibility.

On the infrastructure front, we are pleased to share that our OSAT facility in Sanand is almost there with proto products for AOS and is on track to be fully operational for commercial production by December '25.

Similarly, the multilayer HDI PCB plant in Chennai has also reached the final stages with building construction complete and operational readiness expected by January 2026. These projects are critical in advancing our vertical integration and enabling end-to-end solution within India.

The Kavach development program is progressing well and is currently nearing pilot implementation. We are hopeful of receiving the necessary clearances shortly and beginning commercial operations soon thereafter. We continue to explore new geographies and capabilities through a well-balanced approach of organic expansion and strategic acquisitions.

Expanding into new regions is critical for any company's global growth. It allows us to tap into diverse customer bases, reduce market concentration risk, assess local talent and supply chains, strengthen our ability to serve global clients more efficiently. This multi-market presence also enhances resilience and position us to capitalize on emerging opportunities across different economies.

Before I conclude, I want to thank all our investors for their continued trust in our vision. We remain committed to delivering on your expectations, driving innovation and building a resilient future-ready enterprise.

With that, now I hand over the call to Mr. Jairam Sampath to walk you through our financial performance. Jairam, over to you. Thank you.

Jairam Sampath:

Thank you, Ramesh, ji. Good morning to all the participants here. My name is Jairam Sampath. I'm Whole-Time Director and CFO at Kaynes Technology. Thank you all for joining today's call as we start a new quarter.

I'm extremely happy to share Kaynes Technology's financial results for the first quarter of FY '26 and we'll present some of the highlights. And then, of course, there is a PPT available, which has been uploaded, and you could refer them for more information. For the first quarter FY '26, our consolidated total revenues were at INR6,735 million, representing a 34% year-on-year growth. The consolidated EBITDA for the Q1 FY '26 was at INR1,130 million, showing a 69% year-on-year increase. EBITDA margin for Q1 FY '26 stood at 16.8%.

Our consolidated PAT for the quarter was INR746 million, up 47% year-on-year and PAT margin for the quarter stood at 11.1%. Consequently, our ROE and ROCE for the Q1 FY '26 is at 15.4% and 13.7%, respectively. Our order book has grown substantially on a year-on-year basis. Last year same quarter end, it was INR50,386 million and Q1 FY '26 end, the order book stood at INR74,011 million. Net working capital days for Q1 FY '26 stood at about 132 days with inventory going up from 113 to 115.

The increase in receivables contributed to increase in net working capital, which was based on the profile of sales during the quarter. We remain focused on further optimizing our working capital with a clear long-term plan to collaborate closely with our suppliers and bring down inventory levels as part of this effort.

We are also implementing strategic initiatives such as supplier manage inventory, collaborative forecasting, demand planning, enhanced production planning and scheduling. And also, we're working with our customers to make sure that we are able to collect monies on time. These measures are expected to bring meaningful improvements to our capital efficiency by the end of FY '26.

As far as the new plant projects are concerned, OSAT plant in Sanand, Gujarat and the PCB plant, the HDI multilayer PCB plant in Chennai are in full swing of construction. And as Rameshji, explained to you, we'll see some significant progress in terms of their ability to start operational and get customer approvals during this fiscal.

And we will start doing some billing for the OSAT business this year. and the PCB business will start commencement of operations from early next year. Recent acquisition of August Electronics Canada marks a significant step in our journey of inorganic growth.

This acquisition not only strengthens our presence in North America, but also enables us to build synergies in capabilities and customer segments, where Kaynes had limited presence earlier. It opened doors to high-margin customers and enhance our ability to serve global clients, especially the North American clients more comprehensively.

For a fast-growing company like Kaynes, inorganic expansion is a strategic necessity, and it allows us to accelerate our entry into new markets, diversify our portfolio and access critical technologies and talent. All of this increased the scope of our sales, and also improve the

profitability. We remain committed to identifying and executing such value-accretive opportunities as we continue to evolve as a global player in the electronics sector.

The Indian EMS industry is entering a new phase, transitioning from being a pure-play manufacturing service provider to an integrated ESDM company. This evolution is vital for India to enhance its position in the global electronics value chain, enabling the country to move beyond cost competitiveness to become a hub of engineering and product innovation. Kaynes is proud to be at the forefront of this transformation and we are leading this transformation in many areas. We are not just participating in industry shift, we're helping to lead it.

We're building deep capabilities in embedded systems design, prototyping, high-end electronics, system integration, and we are evolving, as I have indicated earlier, from an EMS provider to a strategic thought partner to our customers. This allows us to co-create the next generation of products and offer end-to-end solutions from concept to production.

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

Moderator: We take the first question from the line of Nitin Arora from Axis Mutual Fund.

Nitin Arora: The first question is on the revenue side is we started on a 34% growth. And I just wanted to gauge your confidence on meeting your guidance, which is about INR4,500 crores. How -- because it's like achieving about 65% growth for the next 9 months to 9 months last year. How is the progress panning out?

How confident are you that eventually these orders will get executed? And when you give your guidance of INR4,500 crores, it is purely organic or inorganic, what you have done is also a part of it? So that's my first question, and then I'll come on the second question.

Jairam Sampath: Thank you, Nitinji, for your question and also time for attending this call. So firstly, this INR4,500 crores was the kind of number that we had projected. It has three components in it. INR4,250 crores was the component, which is our traditional EMS business, ESDM business. And then about INR100 crores we are projected for our OSAT business because we'll probably start operations and the commencement of operations by the last quarter.

And about INR175 crores is supposed to come in from our business acquisition in Canada. So from the perspective of the EMS business, we hopefully will catch up by the end of second quarter. We probably exceed another INR1,000 crores of EMS business in the second quarter. And then, of course, we -- I'm happy to tell you that we'll also integrate the business from August Electronics from our second quarter itself. And by all accounts, the business of OSAT seems to be on schedule.

So we maintain our what I call the guidance of INR4,500 crores plus on a consol basis. And we've also seen an upward movement in the EBITDA number. As you know, from first quarter

itself, we probably are having a product profile, which is leading us to a higher EBITDA. So we could expect a similar thing going forward for the entire year.

Nitin Arora: So what you're trying to say, the margins, what you have reported about 17%, 16.8% or 17%, do you think this mix will continue because your guidance to margin is 15 plus 50 basis points -- so this and efficiency will continue. That's what you're trying to say over the next 9 months?

Jairam Sampath: Yes, yes. Yes, yes. So for the remaining 9 months, you can expect an EBITDA similar to the first quarter, if not more. And we'll update that sometime during the first half or maybe the third quarter when the actuals will be on the board. Yes.

Nitin Arora: Okay. Sir, just last part on the cash flow. I understand company is growing very fast and also improving the profitability. But I think all investors asked to you even at the time of QIP was when do we see the cash flows emerging in the P&L and the cash flows coming. So can you throw some light from which quarter or from rather which direction one should look that the company will start generating cash flow part as well, which is a big ask rate from all the investors to you? That's my last question.

Jairam Sampath: Yes, Nitin, ji. So fundamentally, like I had explained earlier, too, so there were some receivables, which we had acquired, which were receivables but not due. And we are trying to convert them into collections and had taken time until the first half. So hopefully, we will do that during the first half. So you can expect in FY '26, a positive OCF and significantly positive OCF, not just barely crossing the threshold.

And the current small spike in the working capital days is in preparation for the second quarter. Like I said, second quarter is about INR1,000 crores significantly higher than our first quarter number. And as we go forward, the third quarter will also increase and so on. So this is a natural ramp-up process. So in between the quarters in our -- especially in our industry because of cyclicality, the first quarter is small, second quarter is a little larger, third quarter, even larger and the fourth is the largest.

So by the time we reach the end of the year, I think we would probably perform on the expectations in terms of both OCF and as well as the working capital days, let's say, coming sub-70. So that has been our objective. So that on a steady basis, if we can keep it there. then we would have excellent ROCE and ROE too. So we are on track from whatever we see operationally, and we have taken some steps, etcetera.

Yes, there's been a delay of a couple of months in implementing certain strategies, but then we need to balance out our effort on business development and also on operational improvement. So you can expect some good improvement maybe in the first half, one tranche of improvement. And by the end of the year, you will see significant improvement.

Moderator: The next question is from the line of Ankur from HDFC Life.

Ankur: This is Ankur. Just following up on Nitin's question on the cash flow. So while I understand on the inventory side, the buildup is for Q2, could you also help us understand what's happening on

the debtors because there's a big jump both Y-o-Y and on a Q-on-Q basis on the debtor side in terms of number of days. And I think you mentioned something about a change in mix driving that, if I heard it right. So if you could please help us there?

Jairam Sampath:

Yes. So fundamentally, what happens is the debtors, as you know, the April typically is a very muted quarter. So first quarter, May, always, you'll see a bit of a spike, especially on a growth trajectory, a bit of a spike in the working capital because a lot of billing -- so April is smaller month than May, May is smaller than June. June is a fantastic month, then you'll see July is bigger than June. So all through the year, from April to the next March, every month-on-month, there is an increase.

So obviously, quarter end results will reflect that position. And I had explained earlier, as I explained earlier, there was this other current assets, which is basically essentially (21:51) receivables that we had received as part of the acquisition. And I had taken time till the first quarter to get some resolution on that so that the abnormal spike that is shown on debtors because of this particular reason is about INR350 crores. So once that goes out of the reckoning, then I think we are quite good. In fact, we have made a lot of improvements in efficiencies, too.

So like I explained to Nitin ji, you can see an improvement in first half, one tranche. And by end of the year, significant OCF positive will be there. And the good news is that we also probably by the end of the year, we will improve the asset utilization, too. So from the point of view of having to put in more money to support next year's business, etcetera, I think you will see less propensity towards that, and the company will start improving efficiency, also generate resources for any further investments.

Ramesh Kannan:

In this area, we have been working closely -- my name is Ramesh Kannan,. In this area, we are very closely -- working closely working on the inventory side also. So a combination of inventory and receivables should help us to achieve what we want to do. Whatever engineering and homework we have done on the engineering side has started producing results.

Jairam Sampath:

And also just to add to Rameshji, the effort has been earlier to make sure that we get the cost profile right because that's a long-term thing. And the other working capital-related improvements can be done on an ongoing basis. That's what we have been focused on. So you've seen the result of one effort, which is the cost reductions. So you'll see the effort of -- effect of other results by, like I said, first half end and then more fully during the year. Thanks, Ankur.

Ankur:

Okay. Got that, sir. Second question on the P&L. One was on the top line, where clearly at 34% growth is much lower than what typically we've guided to, especially on the automobile segment, where I think the growth is now down to more like 24%, 25% for the quarter. So one, if you could help us understand why the slower than guided growth?

Were there any customer-specific issues? Just trying to understand, while you are saying full year, it will pick up, any reason for Q1 being soft? And also, what is driving this big jump in margins on a Y-o-Y basis?

Jairam Sampath:

Yes, Ankur. So our assessment is, of course, the -- I mean, I'm sure you get numbers from other peer companies and other automotive sector companies, and you know the reality of the automotive sector too. But ours is a diversified portfolio. So one particular sector dimming does not dim our total -- let's say, it takes about a quarter to kind of readjust our execution direction. And so, that's why we are pretty confident with the order book coming in, etcetera.

And also automotive also, we see now some good traction. I think some destocking has happened in the pipeline perhaps. I'm just guessing here. And I think we will surely be back on track with a good, let's say, better growth than what you have seen in first quarter. The good news there is that the margin expansion has been across all sectors.

It has not just been driven by one or the other, beyond just industrial. Across all sectors, even, we have seen at least 200 basis point improvement in gross margin level. And that is what has helped us to kind of post these numbers, and that's why we are pretty confident based on the order book profile that we have with us, we're pretty confident that this margin expansion is here to stay for at least medium term until some significant changes happen in our portfolio.

As you know, it says third -- second, third and fourth quarter, we start executing some more of aerospace and some railway products and so on. And so, that will also probably be a more healthier growth of our profitability, etcetera. If this answers the question, we can move to the next line of question.

Moderator:

Yes, sir. Actually, the participant is out of the queue. We'll proceed with the next participant. The next participant is Sonali Salgaonkar from Jefferies India.

Sonali Salgaonkar:

Congratulations on a great margin again this quarter. Sir, my first question would be an update on OSAT in terms of how much capex has been utilized? When will you -- when are we sort of targeting commencement of the operations at what utilizations? Probably anything you would like to share with in case of customers? And also, what kind of sales you expect in FY '27- '28?

Jairam Sampath:

Thank you, Sonali ji, for your time and nice question. So we already have explained to you that we have 2 major clients. One is an American client. I think most of you know, who they are, [QAS 0:27:28] and the other is our own Indian client, who has acquired the Japanese business. And we have a third client, which has been lined up now.

And it's a German client. And so from the perspective of business, I think we now have a good, let's say, mix of businesses from 3 different countries. And so, this is pretty much better than what we had expected. The construction is well on its way. And by the first week of August, at least the first building will be ready, along with the design office and so on.

And by, let's say, September or so, we'll have operational the, let's say, Phase 0.09, if you will. We'll start shipping commercial as we have promised in the fourth quarter, but maybe it will happen sooner than that. So as far as OSAT is concerned, now we have three good major clients. And these are clients, which any company would be proud to have in their portfolio. And of course, we do have MoUs signed with another four clients.

So by end of FY '27 or so when we -- the bulk of the, let's say, almost 50% plus of our total capex of 3,400 will be consumed by FY '27, we would probably have those clients also on board. And some of those clients with whom we are working also very well rated, especially in silicon photonics and so on and so forth. They are unlisted companies, but they have got a very good, let's say, investments into those companies. They have a large number of clients. So on the advanced packaging side also, we are having excellent traction.

And so -- it's going the way we anticipated and probably is a little better because now we have 3 good clients, at least in the first phase, still half of the capex gets implemented by end of FY '27, we'd have excellent capacity utilization. And since these clients are all global clients and they are all leaders in their area, we also expect the yields to be good because the clients have committed to help us to set the process for their respective products. So it's a kind of a technology transfer and business transfer activity.

Sonali Salgaonkar:

Understood. Sir, just confirming one thing. Right now, as a company in our core EMS business, we are hardly exporting anything, probably 10% of our overall sales. But are we aiming to majorly export the OSAT output? Or will it be used equally for domestic import substitution and for exports as well?

Jairam Sampath:

Yes. So finally, it will get targeted as an import substitution. But being a semiconductor, it goes into semiconductor supply chain, which is outside of India typically. And as you know, this is also semiconductors are generally outside the purview of most of the tariffs, etcetera, because of cross dependence. There are 72 countries, which have to work together to make a semiconductor work.

So whether it's US, whether it's China, everybody is careful about putting semi -- not putting semiconductors under the purview of these things. So from that perspective, we think that it will increase technically the exports, but all the consumption will be -- bulk of it will be driven by India because India is going to become a large consumer, electric vehicles, industrial production and so on. So going forward, I think you can see a huge amount of indigenously produced chips being consumed in India.

Sonali Salgaonkar:

Okay. So initially, you are going to export it, but ultimately, that product will again be probably after some add-ons imported in India. Is that a fair understanding?

Jairam Sampath:

Yes, either with add-ons or even it may be supplied just as a chip to Indian manufacturers.

Sonali Salgaonkar:

Got it, sir. Very clear. And my second question is again on your guidance. Just wanted to confirm what you said in to the earlier participant's query. You are as of now retaining your FY '26 guidance, right, on the sales and margins because you are expecting to catch up in the coming quarters?

Okay. And in terms of the working capital days, are we targeting to reduce them at about 100-odd days by the end of the year? Or do you think it will be slightly elevated given the first quarter was about at 132 days?

- Jairam Sampath:** No, no, it will be lower than that. Actually, effectively speaking, it's already lower than that. It's just that there was one extra item, which was due to our acquisition of one company, an wholly owned subsidiary. So that amounted to about INR350 crores, and we are finding some solutions, financial solutions for it, financing solutions for it. So which we think that we can probably complete it by the first half.
- Once we do that, we -- if that portion of the receivables is INR350 crores removed, then we are already around -- somewhere around 70 days on an average in net working capital. So we think that -- and also, Ramesh ji, explained that we are working with suppliers also so that we can ask them to keep inventory locally. And then, so that the burden on us to fund the inventory, at least bulk of the inventory till it gets balanced out, etcetera, will be lower. So you can expect even better than 100 days, etcetera. Obviously, by end of the year, if this extraordinary item of INR350 crores is dealt with, we probably will be around 70 days and lower.
- Sonali Salgaonkar:** Got it, sir. Very clear. And just one last question from my side on the order book. Sir, order book...
- Moderator:** Sorry to interrupt Ms. Sonali, I request you to go back to...
- Jairam Sampath:** Yes, we can go ahead. If it's a short question, you can go ahead, Sonaliji, about the order book.
- Sonali Salgaonkar:** Yes. Order book. Thank you, sir accommodating this. On the order book, year-on-year growth has been definitely very strong, but Q-o-Q, we have seen about this 12% order book growth. Is that because of the high base catching up? Or do you think that sequentially as well, order book will start accelerating from the coming quarters? That's it from my side.
- Jairam Sampath:** Yes, yes. No, no. Actually, even earlier, if you see the monthly order inflow, sometimes it comes down, sometimes it goes up. It is more like timing of the order placement rather than any trend. But if you see broadly, if you take a moving average of 3 months or something, you will always see a significant increase. So opening at INR7,400 is not a bad thing because now bulk of the orders in the other sectors are also coming in. So our assessment is that this is a strong order book. It's still growing.
- Moderator:** The next question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited.
- Manish Ostwal:** Good set of numbers given the macroeconomic conditions globally and locally. My question on the recently raised capital. So can you talk about in terms of area of future investment in terms of category, organic or inorganic, where we see the investments the company will be making?
- Jairam Sampath:** Yes. So as, of course, the objects state all the possibilities in terms of investments that we can do, including debt reduction. There are some things like inorganic, etcetera. So we have taken an omnibus kind of, let's say, definition for our investments. But broadly, we would like to go more and more into the area of inorganic acquisitions.

They are on three fronts. One is in the geography front. And then the second is, of course, we want to strengthen our design portfolio. We have done some small, small investments like we have talked about it earlier also. We always do a small investment first as a test and then we probably add more to it.

It's more like a nibble, a small morsel and then big meal. So that we have done in geography expansion. So you can see some significant acquisition in perhaps North America geography going forward. Europe is a continent of talent for design. So we are going to strengthen our design play, especially ODM play in places like railway, industrial, etcetera.

So next level of investments will go into that. And then, of course, the third one is to deepen the technology footprint by suitably adding backward integration into some of the niche areas, so that we can reduce cost in our total consolidated portfolio. So all of these efforts, whatever money that we have raised is to add fresh initiatives, so that we can increase the scope of our sales by adding geographies. We can increase the value addition by adding ODM and then we can reduce cost by doing backward integration.

Manish Ostwal: Yes, sir. The second question on the -- I just confused with your comment on the working capital side. Earlier you shared the sub 70 is the number we will achieve by F '26 versus 87 reported in F '25 and the current quarter is 132. So -- and then you said sub 100, it is better than the 100 days. So can you just clarify what is the actual aim to achieve the working capital side for F '26 by the management?

Jairam Sampath: Yes. Sir, our target is 70 days without any extraordinary items. So the extraordinary items, as you have studied last year's balance sheet also. So there's a INR350 crores, which we have got it from acquisition receivable, which is receivable but not due. So we are trying to find financing solutions for it. And most probably in the first half, you will find it out. So once the INR350 crores goes away because it's a definite item, which has nothing to do with our regular operations.

So once that goes away, we are already consistently at about less than 70 days of net working capital. And in order to keep it there, we will also work with some of the supplier partners so that some of the inventory burdens, especially the balancing inventory burdens can be transferred. So our target is 70 days without this extraordinary item. Hopefully, we'll find a solution for it before the second half starts.

Manish Ostwal: And all the best for delivering the cash flow outcome for this particular year.

Moderator: The next question is from the line of Vipraw Srivastava from PhillipCapital

Vipraw Srivastava: First of all the margin side. So if I heard correctly, you were saying that you would be maintaining this level of gross margin in coming quarters. So is the understanding correct that you end up higher than your guidance which you guided for in Q4? -- you're upgrading your margin guidance is understanding correct?

Jairam Sampath: Yes. So okay, let me put it this way. We had guided for about INR4,500 crores on a consol basis, including all our subsidiaries and so on. And we had said that 15.6% or so was the EBITDA expected. We are saying that looking at the first quarter, the EBITDA might exceed the guidance of 15.6%.

Now how much exactly it will exceed, you can probably make a better estimate by the first half yearly results. As far as the guidance numbers are concerned, we maintain the guidance that we have given, and you will see a significant acceleration in the second quarter.

Vipraw Srivastava: Got it, sir. And sir, secondly, if you can give some color, what's the reason for this margin expansion? Why has it happened after Q4? What has changed? Any color on that, it will be very helpful.

Jairam Sampath: Yes, yes. So the margin expansion is a direct consequence of two factors. One factor is the gross margin, which has something to do with the material cost reduction vis-a-vis the pricing. And the second one is what is called operating leverage. So you will see both of these in action.

We have -- like I said, there are, of course, more business in portfolios, where there is better margins. That is a significant contribution to increase in EBITDA number. But in addition to that, we have seen increase in gross margins across the board. That means all the 6 verticals, the orders have anywhere between 50 basis point to 200 basis point increase in the gross margin level. And going forward from first quarter to second quarter, obviously, the sales will keep going up.

So we will -- we can see an effect of better operating leverage, too. So that's why we are confident that whatever estimate that we had made on the margin because of these two factors, one is gross margin across different sectors going up, certain sectors doing well where margin is good, plus operating leverage. So we think that we can have a significant increase in our EBITDA number by the end of the year two compared to the guidance.

Moderator: The next question is from the line of Nikhil Kale from Invesco.

Nikhil Kale: Just one clarification I wanted, sir. Can you just help me with the absolute receivable number that you have as of end of Q1, including the onetime thing that you talked about, the acquisition-related receivable that you got?

Jairam Sampath: Can you repeat that question?

Nikhil Kale: Just wanted your absolute receivable number in rupees million as of end of Q1, which is days you have given, but if you can help me with the absolute number?

Jairam Sampath: Yes. Just one second hold on. Yes. So the other noncurrent items, which is INR390-odd crores, plus INR858 crores is our regular receivables, which is based on our regular business and a tad higher because the profile of sales keeps going up. So April sales is lower than May, May is lower than June, June is lower than July like that.

So March is normally the highest. So as we go up, there will be some impact. But hopefully, the noncurrent portion, other noncurrent assets portion, we'll deal with it by end of first half so that the INR300 whatever crores is there, that will get addressed in which case, then the numbers significantly come down. And I think we are also working with some of the newer customers in terms of factoring without recourse, and they have their own financing companies. So that's why we are confident that we can probably keep this under check.

But of course, as the business grows, the absolute number keeps going up.

Nikhil Kale:

Understood. But sir, then even if you exclude that, your receivable days would have gone up, right? Even if you exclude this...

Jairam Sampath:

Like I said, June sales were a little higher. April sales were lower. So this happens always in the first quarter. For whatever reason, I am not able to say why it should happen logically, it should not. But what happens is March is a big quarter, right?

So most customers would take a little more than what they require in March just so that their ability to exceed their numbers is not impacted for lack of material. And then sometimes they would adjust the April number. And also on top of it, April numbers also, the industry-related things also will play up. So all of this has played up. But by the time we adjusted our delivery schedules, etcetera, it was June.

So hopefully, now you will start seeing a routine -- so June numbers, June billings will get paid up between July, August, etcetera. So if you add 1 more month, we could have probably been lower. But anyway, that's how the sales profile is. And that's the reason why you see a little more than expected receivables, which, in our opinion, is a good thing because it shows that there is traction in the marketplace.

Moderator:

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

Aditya Bhartia:

Sir, my first question is on gross margins again. If we look at stand-alone gross margins, those have not moved up dramatically. On INR450 crores of revenues, we have somewhat a similar gross margin of 28%. It is subsidiaries with roughly INR220 crores of revenues, wherein we appear to be making almost INR150 crores of gross profit, which is almost 68% gross margin.

So just trying to understand why is it that margin bump up has been so sharp on the subsidiary side? And what is the change in product profile versus, let's say, the preceding quarter, which is kind of contributing to such a sharp jump? That's my first question.

And maybe I can go ahead with my second question as well. So these deferred receivables of INR350 crores that you are speaking about are not included in this INR858 crores, right? This INR858 crores is pure receivables, which at the end of March used to be, I think, somewhere around INR570 crores. So there is a significant increase in base receivables also, and that's something that I would like to understand what is really contributing to that?

Jairam Sampath:

Sure. Last question first. So obviously, I had explained that the June sales were pretty high. And as we go forward, every month of sale is higher than the previous month. That's the nature of the business profile here.

And also, we -- like I said, the other special item of receivables will somehow deal with it in the first half. And then going forward, we are also working with some of the newer clients, especially in the aerospace and all the other more remunerative areas also. We are working with them on - without recourse factoring. And hopefully, we will get that successfully done.

So what will happen is the additional accrual of sales that happens will not always increase the number of days of receivables. That's one point. The second point is the margin that you talked about on stand-alone, etcetera. So we have several entities sometimes participating in one particular company's -- one particular product sales. So there are companies which are some portion of the year, one company might have manufactured and then supplied to another company and so on. So after elimination, margins will fall where they do.

But you should look at consolidated and let me explain to you one by one. In automotive, the gross margins have gone up by about 2%. And in electric vehicles, we have a stable profile, maybe 1% or so increase. Industrial, of course, there is a significant increase contributed by certain product profiles. I cannot pinpoint which product profile for obvious reasons. But otherwise, industrial is one area where we are having a good increase.

And going forward, you will see increases in railways, you will see increase in aerospace, especially when the quantum of sales increases. So that's why we are confident that this number is not driven by one product, but by across the different verticals, a series of products, not just one product.

So within -- so just to explain to you how this entire blended margin works. So the consolidated margin is a blend of all the subsidiary businesses, not really subsidiary legal entities, but businesses. So there will be EMS margin, going forward into the future, there will be margins from semiconductor assembly and there will be margins from PC board. And most probably, those margins will be higher than what we do in EMS. But of course, there are other things in those businesses. They are capital intensive, etcetera.

So when you come to EMS business, EMS business is a blended margin of different verticals, right? You have automotive, you have industrial, you have electric vehicles, you have four other places like railway electronics, medical, we have aerospace, defense and outer space and then, of course, IT, IoT and others. And within each of these, there are different product categories that contribute to margins.

So if you take automotive, there are switches and control systems, there are dashboards, there are lamps, etcetera. So similarly, in industrial, there are power products, there are energy meters, there are various other things like control equipment, instrumentation and so on and so forth. In electric vehicles, there are 2-wheeler, 4-wheeler etcetera.

So just not to confuse you further -- but this is a blended margin. It's not just that one item that we do has done well, so we've increased the margins. But it's my -- since I have -- I am privy to all the information, but I'm unable to share it by customer. But I can tell you that across the board, we have increased in margins. And that is -- if you ask me why it has happened now because last 2 years, ever since we listed, I think one of the strategies was to work on cost reductions.

So slowly, those cost reduction efforts are also giving us some, let's say, results. And also, if you see the amount of ODM in our portfolio, earlier, it used to be 10%, now it's 20%. That means we do have more control on the bill of material on 10% -- additional 10% of our sales. So there also, the margins are better. So the ODM, that means our own design, cost reduction with suppliers, different blended products within vertical and different blend of verticals within the total portfolio is contributing to the positive, let's say, tailwind on the margins this year.

And going forward, obviously, the other two businesses will kick in. So you'll have multilayer HVPC board, they come at a much higher margins, and you'll have semiconductor assemblies and so on and so forth. And then, of course, add to it the margins or other geographies like decidedly better margins are there in America, especially for technology products and lower volume products, etcetera. I cannot go deeper than this on this topic right now.

Aditya Bhartia:

Sure, sir. And sir, if you could just also tell us the 10% stake that is being given to US Tech India Private Limited and 8.25% to AOS in the OSAT subsidiary. What exactly is the agreement like? Do we have some offtake arrangements with technology partners as well? Who are all our technology partners on the OSAT side? Anything on that would be very helpful.

Jairam Sampath:

Yes, yes. So Aditya, we fundamentally, the partnership is like a marriage, right? You need to cement it with some economic benefits flowing to each of the parties, right? So in some cases, if you have noticed when we acquired the business from this L&T and Fujitsu, we purchased their equipment so that we make sure that they have to come to us as far as that particular product category is concerned. So we invested some money.

Similarly, for the others, they are supplying us material, but they are supplying us with the critical equipment, which is a bottleneck equipment from their point of view. And we want to cement the relationship, so we offer them skin in the game. But in any case, we will limit the total skin in the game to less than 20%.

The idea is that when we have more and more customers and more and more technology partners on your side, then there is also effort from their side to improve the business prospects. So that's the broad -- this thing. And then, of course, they do come in at a valuation, which is low at this point in time, but not lower than what we have invested.

And then going forward, they also benefit and there is a lot of interest in them to move businesses to us and probably even profitable businesses because then they also stand to gain as their investment value also goes up in the company. And so this is to give them an economic incentive to partner with us and also to give them a slightly better control in the relationship with us.

So an untethered relationship generally also means that he can go to somebody else, but a relationship which is borne by investments and borne by some other arrangements is likely to be long term.

Aditya Bhartia: Understood, sir. And they will also be infusing equity?

Jairam Sampath: Sorry.

Aditya Bhartia: Sir, I was just asking, they'll also be infusing equity because you mentioned that valuation would not be lower than what Kaynes has invested.

Jairam Sampath: One of them has infused some equity by UST Global or something. And so that equity, whatever they infuse is much lower than what eventually the valuation of this percentage will be. So our intention is to -- for them to use us as a technology -- manufacturing partner for bulk of their activity, especially the newer generation of activity.

So let me explain to you, I think since this question is very relevant, we're invested into a company called Mixx Technologies. Obviously, it's a minority investment in some of the rounds, we picked up some stakes. That company is worth a lot more today. And they are very near to getting their protos out and so on, and they work with large companies like NVIDIA, Meta, Google, etcetera. So now from that perspective, so that investment, which we did about more than a year ago, has now paid dividends in terms of strengthening our business portfolio for advanced packaging.

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

Siddhartha Bera: Sir, I had some queries on the revenue subsegments, for example, how is the ramp-up in smart meter happening current quarter and going ahead over the next couple of years? And second is on the EVs as well as on the aerospace and railways because we haven't seen much there happening at least in the current quarter in aerospace and railways. So if you can just highlight some of these subsegments, how should we think about the ramp-up for the year?

Jairam Sampath: So thank you for your question. So smart meter, like we said, we are aiming at about 15% of the total market. And every year, we definitely minimum INR1,000 crores to INR1,200 crores of business we should probably end up doing in that area because there is also a limitation to field implementation and so on and so forth. So -- and also, we don't want it to be a huge portion of our total revenues.

So smart meter will now probably it is going at the speed and smart meter is not a cyclical thing, right? Once you have the orders every quarter, you have a fixed amount of implementation, installation and go-live and so on. So that goes by a different this thing.

So as far as electric vehicle is concerned, we've got significantly -- we've got one of the largest 2-wheeler manufacturers as a client now and the evaluation phase is completed last year, and now we're getting some very good orders in the 2-wheeler segment. And already existing clients

are there. And even in 4-wheeler segment, we are working with some of the upcoming model launches, etcetera.

So you will -- so this quarter, we have worked a lot in terms of getting new customers on board. So you will start seeing some traction in EV. Obviously, EV 2-wheeler is a stronger segment and at this point in time. And 4-wheeler when it becomes standardized, in the country, we probably will also have reasonable traction there.

As far as aerospace is concerned, lots of new orders have come in. In fact, from one large client of aerospace, we have got referrals. So we work with 3 divisions, one in the automotive components area, the other one will be in some one of their US-based businesses. And third is, of course, aerospace. So this -- you can call the first quarter as a quarter where we have got a lot of clients on board.

In aerospace, other than this large OEM client, we have got one more big client. I'm unable to give you the name because I don't have the consent, but they are all \$10 million initial orders and so on. So aerospace, in fact, the biggest business growth has happened in aerospace this year, even though we have not done billing because billing will start off probably second quarter, third quarter, fourth quarter.

As far as railway is concerned, with Kavach project, Rameshji mentioned, we are into pilot phase. And hopefully, maybe it takes a few months. And after that, we start getting routine orders. And our design is, of course, based on German technology. There are two German partners for this design.

And we have also acquired companies like Sensonic in the railway area. And another recent acquisition was also announced. We invested about INR40 crores of money into another company, which is into railway ODM.

So going forward, you will start seeing more and more business as a percentage of total. First quarter, of course, was predominated by automotive, industrial and EV segments. Second quarter, aerospace will increase. So that for the year, you can see aerospace to be about maybe around 8% or so of the total and the railway also should exceed about 10%, 10%-12% of the total sales by the end of the year. It also depends on how well the other segments do.

Siddhartha Bera:

Got it, sir. And sir, on the capex, sir, if you can highlight what is the planâ€¦

Moderator:

I would request you to go back to the queue as there are several participants waiting for their turn.

Jairam Sampath:

Yes. So those who are unable to get clarification now, you could set up a call with us, and we can definitely come back to you later.

Moderator:

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

- Praveen Sahay:** Sir, can you give so far how much of the capex in the OSAT and the PCB we had done? Just like you had given for the QIP money around INR313 crores is already utilized in the OSAT or INR114 crores for the PCB. So how much of the total capex you have done in these 2 businesses?
- Jairam Sampath:** Just one second. Yes. For OSAT, actual spend so far is about INR313 crores. We have another INR443 crores balance, which we have raised in the QIP. Similarly, for PC board, about INR114 crores have been spent. And of course, we have -- we will have some left this year.
- But going forward what will happen is, this is a running account, right? So every day, there will be some thing or the other happening. The QIP, which funded these was the previous QIP, QIP number one, we have raised about INR1,400 crores.
- Praveen Sahay:** Yes. Right, sir. Those things are there. I just wanted to know that there is no government funding so far you had received related to the OSAT. These are the only QIP money?
- Jairam Sampath:** So what happens is in the land and buildings, the government funding is not too much. It's all the plant and machinery normally. And so plant and machinery orders have been placed. The moment they come, we'll start getting government funding. It's already a proven case.
- I think the other peer groups, if you refer to the other awardees of the subsidies, they all started receiving it. And that is the central government subsidy is pari-passu. So that means when we raise the order at that point in time, the funding is done. And the state government one is, of course, based on commencement of production. So that comes with a delay of about 6 months. So that process seems to be working for others and yes, yes. There's no reason why it should not work.
- Praveen Sahay:** Got it, sir. And one small question, sir, related to the Tranzmeo...
- Moderator:** Hello?
- Jairam Sampath:** We could get into another call later. Please check with Sumit and then we can fix a clarifying call. It's all there in the public domain, but anyway, we can point those information to you.
- Moderator:** Ladies and gentlemen, due to time constraints, we take that as the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Jairam Sampath:** Yes. Thank you very much, and thank you for attending this particular earnings call. And also, I would like to place on record my thanks to Axis Capital team also for enabling so many of key investors and analysts to attend this particular call. And if anybody has -- most of the information is already published, if there are any clarifications you require on those, you could reach out to us and then we can set up a call or a meeting so that we can then explain to you what has happened, okay? So thank you very much, and all the very best to all of you.
- Moderator:** On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.